

COMMITTEE PRINT

## PUBLIC LAW 94-399 (H.R. 11009 AND S. 3608)

TO PROVIDE FOR AN INDEPENDENT AUDIT OF THE FINANCIAL CONDITION OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA AND TO ESTABLISH A TEMPORARY COMMISSION ON FINANCIAL OVERSIGHT OF THE DISTRICT OF COLUMBIA



Printed for the use of the Committee on the District of Columbia

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COMMITTEE ON THE DISTRICT OF COLUMBIA

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(II)



## FOREWORD

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Public Law 94-399 provides for the establishment of the Temporary Commission on Financial Oversight for the District of Columbia. It also provides the wherewithal to make improvements in the financial system of the District of Columbia that should have been made before home rule. Congress is largely responsible for the current state of the city's books and records but through this law and this Commission I hope and expect the District to have a good, solid financial management and accounting system, without a lot of expensive frills, but which provides the necessary information in accurate and timely fashion and which operates efficiently so as to maximize the city's financial resources.

A great many questions about the import of this legislation may need to be answered in the future. This legislative history has been prepared in order to assist those charged with administration and interpretation of the Act, the Congress, the Members of the Committee in their oversight responsibility, the members of the Temporary Commission on Financial Oversight of the District of Columbia, and the public.

THOMAS F. EAGLETON,  
*Chairman.*





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## LEGISLATIVE HISTORY OF H.R. 11009

### (Public Law 94-399)

**H.R. 11009**

**Dec. 4, 1975**

Messrs. Diggs, Gude, Fraser, Harris, Fauntroy, McKinney, Mann, and Litton

To provide for an independent audit of the financial condition of the government of the District of Columbia.

Dec. 8 and 9, 1975.—Hearings before House District Committee. (Printed.)

Dec. 10, 1975.—House District Committee considered and deferred action.

Mar. 4, 1976.—Referred to Subcommittee on Government Operations of the House District Committee and to the Comptroller General.

Mar. 24 and 30, 1976.—Hearings held before House District Committee. (Printed.)

May 3, 1976.—House District Committee considered, amended, and approved.

May 6, 1976.—Reported favorably to House, as amended (H. Rept. 94-1094).

May 24, 1976.—Passed House (amended) 308-2.

May 25, 1976.—Referred to Senate District Committee.

June 23, 1976.—S. 3608 introduced by Messrs. Eagleton, Mathias, and Chiles.

June 28, 1976.—Hearing before Senate District Committee on S. 3608 and H.R. 11009. (Printed.)

June 29, 1976.—Senate District Committee considered and ordered H.R. 11009 reported favorably, with an amendment, in lieu of S. 3608.

June 29, 1976.—Reported favorably to Senate, as amended (S. Rept. 94-1015).

June 29, 1976.—Senate District Committee considered, ordered reported favorably, and reported an original resolution (S. Res.

481) waiving sec. 402(a) of the Congressional Budget Act with respect to the consideration of H.R. 11009 (no written report).

July 1, 1976.—Senate agreed to S. Res. 481.

July 1, 1976.—Passed Senate with committee amendment (voice vote).

July 1, 1976.—Senate insisted on its amendment, asked a conference, and appointed conferees (Eagleton, Inouye, Stevenson, Glenn, Mathias, Bartlett, and Garn).

July 19, 1976.—House disagreed to Senate amendment, agreed to a conference, and appointed conferees (Diggs, Fauntroy, Rees, Mazzoli, Mann, Harris, Dan Daniel, Gude, Whalen, and McKinney).

July 22 and 26, 1976.—Conferees met.

July 26, 1976.—Conferees agreed to file a conference report.

Aug. 3, 1976.—Conference report filed (H. Rept. 94-1381).

Aug. 23, 1976.—House agreed to conference report (voice vote).

Aug. 24, 1976.—Senate agreed to conference report (voice vote).

Sept. 4, 1976.—Approved by President. PUBLIC LAW 94-399.

Sept. 8, 1976.—Speaker appointed Messrs. Diggs, Natcher, and McKinney to Temporary Commission on Financial Oversight of the District of Columbia.

Sept. 13, 1976.—Vice President appointed Messrs. Eagleton, Chiles, and Mathias to Temporary Commission on Financial Oversight of the District of Columbia.

94TH CONGRESS  
1ST SESSION

# H. R. 11009

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 4, 1975

Mr. DIGGS (for himself, Mr. GUDE, Mr. FRASER, Mr. HARRIS, Mr. FAUNTROY, Mr. MCKINNEY, Mr. MANN, and Mr. LITTON) introduced the following bill; which was referred to the Committee on the District of Columbia

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## A BILL

To provide for an independent audit of the financial condition of the government of the District of Columbia.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 That (a) the—

4 (1) chairman of the Committee on the District of  
5 Columbia of the House of Representatives,

6 (2) chairman of the Committee on the District of  
7 Columbia of the Senate,

8 (3) chairman of the Committee on Appropriations  
9 of the House of Representatives,

I

1           (4) chairman of the Committee on Appropriations  
2       of the Senate, and

3           (5) chairman of the Council of the District of  
4       Columbia

5 shall jointly select an independent certified public accountant  
6 to carry out a comprehensive audit, by conducting such tests  
7 and examinations of the accounting records of the District of  
8 Columbia as he deems necessary, to certify that the state-  
9 ments of financial condition and changes in condition of all  
10 funds managed by the District of Columbia fairly present the  
11 financial condition of such funds in accordance with generally  
12 accepted accounting principles.

13       (b) The Comptroller General of the United States shall  
14 enter into a contract to conduct the audit described in sub-  
15 section (a) with the certified public accountant selected un-  
16 der such subsection.

17       (c) The certified public accountant selected pursuant to  
18 subsection (a) shall have full access to such books, persons,  
19 accounts, financial records, reports, files, and all other papers,  
20 things, or property of the District of Columbia as he deems  
21 necessary to facilitate the audit described in such subsection.

22       (d) Upon completion of the audit described in subsec-  
23 tion (a), the certified public accountant selected pursuant to  
24 such subsection shall submit the audit report to the Congress,



1 to the President, to the Council of the District of Columbia,  
2 and to the Mayor of the District of Columbia.

3 SEC. 2. The Council of the District of Columbia shall  
4 provide for and allocate funds for independent audits of the  
5 type described in the first section of this Act, to be con-  
6 ducted at least once every three years after completion of  
7 the audit conducted pursuant to the first section of this Act.  
8 The results of each such audit shall be submitted to the  
9 Congress, the President, and the Mayor of the District of  
10 Columbia.

11 SEC. 3. There is authorized to be appropriated not to  
12 exceed \$1,500,000 to make payments under the contract  
13 entered into pursuant to subsection (b) of the first section  
14 of this Act.





Union Calendar No. 553

94TH CONGRESS  
2D SESSION

# H. R. 11009

[Report No. 94-1094]

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 4, 1975

Mr. DIGGS (for himself, Mr. GUDE, Mr. FRASER, Mr. HARRIS, Mr. FAUNTROY, Mr. MCKINNEY, Mr. MANN, and Mr. LITTON) introduced the following bill; which was referred to the Committee on the District of Columbia

MAY 6, 1976

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

---

## A BILL

To provide for an independent audit of the financial condition of the government of the District of Columbia.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 That ~~(a)~~ the—

4 ~~(1)~~ chairman of the Committee on the District of  
5 Columbia of the House of Representatives;

6 ~~(2)~~ chairman of the Committee on the District of  
7 Columbia of the Senate;

8 ~~(3)~~ chairman of the Committee on Appropriations  
9 of the House of Representatives;

1           ~~(4)~~ chairman of the Committee on Appropriations  
2           of the Senate, and

3           ~~(5)~~ chairman of the Council of the District of  
4           Columbia

5 shall jointly select an independent certified public accountant  
6 to carry out a comprehensive audit, by conducting such tests  
7 and examinations of the accounting records of the District of  
8 Columbia as he deems necessary, to certify that the state-  
9 ments of financial condition and changes in condition of all  
10 funds managed by the District of Columbia fairly present the  
11 financial condition of such funds in accordance with generally  
12 accepted accounting principles.

13       ~~(b)~~ The Comptroller General of the United States shall  
14 enter into a contract to conduct the audit described in sub-  
15 section ~~(a)~~ with the certified public accountant selected  
16 under such subsection.

17       ~~(c)~~ The certified public accountant selected pursuant to  
18 subsection ~~(a)~~ shall have full access to such books, persons,  
19 accounts, financial records, reports, files, and all other papers,  
20 things, or property of the District of Columbia as he deems  
21 necessary to facilitate the audit described in such subsection.

22       ~~(d)~~ Upon completion of the audit described in subsec-  
23 tion ~~(a)~~, the certified public accountant selected pursuant to  
24 such subsection shall submit the audit report to the Congress,

1 to the President, to the Council of the District of Columbia,  
2 and to the Mayor of the District of Columbia.

3 SEC. 2: The Council of the District of Columbia shall  
4 provide for and allocate funds for independent audits of the  
5 type described in the first section of this Act, to be con-  
6 ducted at least once every three years after completion of  
7 the audit conducted pursuant to the first section of this Act.  
8 The results of each such audit shall be submitted to the  
9 Congress, the President, and the Mayor of the District of  
10 Columbia.

11 SEC. 3: There is authorized to be appropriated not to  
12 exceed \$1,500,000 to make payments under the contract  
13 entered into pursuant to subsection (b) of the first section  
14 of this Act.

15 *That (a) after consulting with the chairman and ranking*  
16 *minority member of the Committee on the District of Colum-*  
17 *bia of the House of Representatives, the chairman and rank-*  
18 *ing minority member of the Committee on the District of*  
19 *Columbia of the Senate, the chairman and ranking minority*  
20 *member of the Committee on Appropriations of the House*  
21 *of Representatives, the chairman and ranking minority mem-*  
22 *ber of the Committee on Appropriations of the Senate, and*  
23 *the chairman of the Council of the District of Columbia about*  
24 *(1) the scope of one or more contracts for the design and*

1 *implementation of financial planning, reporting, and con-*  
2 *trol systems for the government of the District of Columbia,*  
3 *(2) the selection of the contractor to perform each such con-*  
4 *tract, and (3) the schedule for completing each such con-*  
5 *tract, the Comptroller General of the United States shall*  
6 *enter into one or more such contracts.*

7       *(b) Each contract entered into pursuant to subsection*  
8 *(a) shall set forth the scope of the work to be performed and*  
9 *a schedule of completion dates for each portion of such work.*

10       *(c) Each contractor shall have full access to such books,*  
11 *persons, accounts, financial records, reports, files, and other*  
12 *papers, things, or property of the government of the District*  
13 *of Columbia as such contractor deems necessary to complete*  
14 *such contracts.*

15       *(d) At least once during each calendar quarter after*  
16 *establishment of the schedule for completing each contract and*  
17 *until the completion of such contract, each contractor shall*  
18 *report to the Congress, the President, the Council of the Dis-*  
19 *trict of Columbia, and the Comptroller General of the United*  
20 *States on the progress toward completion of such contract.*

21       *(e) Upon completion of each contract for the design of*  
22 *any financial planning, reporting, or control system of the*  
23 *government of the District of Columbia, the contractor shall*  
24 *submit to the Congress, the President, the Council of the Dis-*  
25 *trict of Columbia, the Mayor of the District of Columbia, and*

1 the Comptroller General of the United States, a report con-  
2 taining recommendations for (1) such changes, within the  
3 scope of such contract, in the financial planning, reporting,  
4 and control systems of the government of the District of  
5 Columbia as such contractor determines should be made before  
6 an audit can be conducted in accordance with generally ac-  
7 cepted auditing standards in order to render an opinion that  
8 the financial statements of the funds and account groups of the  
9 government of the District of Columbia present fairly the  
10 financial position of such funds and account groups and the  
11 results of operations of such funds and the changes in finan-  
12 cial position of such funds, in conformity with generally  
13 accepted accounting principles, and (2) a schedule for im-  
14 plementing the recommended changes, including the amount of  
15 time and the number of District of Columbia personnel re-  
16 quired to complete the implementation of such changes.

17 (f) The Mayor of the District of Columbia, with the  
18 assistance of one or more contractors chosen pursuant to  
19 subsection (a), shall implement the changes recommended  
20 pursuant to subsection (e) in accordance with the schedule  
21 recommended for implementing such changes. Within three  
22 months after submission to the Mayor of the District of  
23 Columbia of each report required by subsection (e), and  
24 at least once each calendar quarter thereafter until each



1 change recommended in such report is implemented, each  
2 contractor shall report, within the scope of his contract, to  
3 the Congress, the President, the Council of the District of  
4 Columbia, and the Comptroller General of the United States,  
5 on the status of the implementation of the changes recom-  
6 mended pursuant to subsection (c) in accordance with the  
7 schedule recommended for implementing such changes. Each  
8 contractor shall make such other reports as may be requested  
9 by the Congress, the President, the Council of the District  
10 of Columbia, or the Comptroller General of the United  
11 States.

12 SEC. 2. Within six months after the first day of the  
13 first full fiscal year after the Mayor of the District of Colum-  
14 bia has completed implementation of the recommendations  
15 made pursuant to subsection (c) of the first section of this  
16 Act, the Council of the District of Columbia shall provide for  
17 and allocate funds for an audit for such first full fiscal year  
18 in accordance with generally accepted auditing standards to  
19 be carried out by an independent certified public accountant,  
20 who shall conduct such tests of the accounting records of the  
21 government of the District of Columbia and such other audit-  
22 ing procedures as he deems necessary, in order to render an  
23 opinion that the financial statements of the funds and account  
24 groups of the government of the District of Columbia for  
25 such first full fiscal year present fairly the financial position

1 of such funds and account groups and the results of opera-  
2 tions of such funds and the changes in financial position of  
3 such funds, in conformity with generally accepted accounting  
4 principles. At least once every three years thereafter, the  
5 Council of the District of Columbia shall provide for and al-  
6 locate funds for an audit in accordance with generally ac-  
7 cepted auditing standards to be carried out by an independent  
8 certified public accountant, who shall conduct such tests of  
9 the accounting records of the government of the District of  
10 Columbia and such other auditing procedures as he deems  
11 necessary, in order to render an opinion that the financial  
12 statements of the funds and account groups of the govern-  
13 ment of the District of Columbia present fairly the financial  
14 position of such funds and account groups and the results  
15 of operations of such funds and the changes in financial posi-  
16 tion of such funds, in conformity with generally accepted  
17 accounting principles applied on a basis consistent with that  
18 of the immediately preceding audit required by this section.  
19 The results of each such audit shall be submitted to the Con-  
20 gress, the President, the Council of the District of Columbia,  
21 the Mayor of the District of Columbia, and the Comptroller  
22 General of the United States.

23 SEC. 3. (a) For each of the fiscal years ending Septem-  
24 ber 30, 1977, September 30, 1978, and September 30, 1979,  
25 there is authorized to be appropriated to the Comptroller

1   *General of the United States \$750,000 to make payments*  
2   *under contracts entered into pursuant to subsection (a) of*  
3   *the first section of this Act. Sums appropriated under this*  
4   *section are authorized to remain available until expended.*

5       *(b) The Comptroller General may enter into such con-*  
6   *tracts only to the extent and in such amounts as are provided*  
7   *in appropriation Acts.*

8       *(c)(1) No funds appropriated under subsection (a)*  
9   *may be used for any payment under any such contract in an*  
10   *amount greater than 50 per centum of the total amount of*  
11   *such payment.*

12       *(2) The Council of the District of Columbia shall make*  
13   *available to the Comptroller General of the United States*  
14   *such sums as the Comptroller General certifies to the Council*  
15   *are necessary in order that the District of Columbia provides*  
16   *an amount, with respect to each payment under each such*  
17   *contract, equal to the amount of Federal funds for such*  
18   *payment.*

19       *SEC. 4. For purposes of this Act, the term "government*  
20   *of the District of Columbia" includes the Mayor of the Dis-*  
21   *trict of Columbia, the Council of the District of Columbia,*  
22   *and all agencies (as defined in paragraph (3) of section 3 of*  
23   *the District of Columbia Administrative Procedure Act*  
24   *(D.C. Code, sec. 1-1502(3)) of the government of the Dis-*  
25   *trict of Columbia.*



## FINANCIAL PLANNING, REPORTING AND CONTROL SYSTEMS FOR THE GOVERNMENT OF THE DISTRICT OF COLUMBIA

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MAY 6, 1976.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

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Mr. DIGGS, from the Committee on the District of Columbia,  
submitted the following

### REPORT

[To accompany H.R. 11009]

The Committee on the District of Columbia, to whom was referred the bill (H.R. 11009), to provide for an independent audit of the financial condition of the government of the District of Columbia, having considered the same, reports favorable thereon with an amendment and recommend that the bill as amended do pass.

The amendment strikes out all after the enacting clause and inserts in lieu thereof a substitute text which appears in italic type in the reported bill.

#### PURPOSE OF THE BILL

The purpose of H.R. 11009, as amended, is to provide for a financial systems analysis, design, and implementation for the Government of the District of Columbia to insure that the financial statements of the Government of the District of Columbia accurately reflect the financial condition of the District of Columbia, and in order that an independent audit of the financial condition of the District of Columbia can be conducted with meaningful results.

#### BACKGROUND

H.R. 11009, a bill to provide for an independent audit of the government of the District of Columbia, was introduced by Chairman Diggs with seven cosponsors, including the ranking minority Member of the District Committee. It was introduced because there has never been an audit of the District of Columbia by an independent entity, and Members of the Committee recognize that an audit of the city's finances will provide all who share responsibility for the effective administration

and management of the city with a common set of data which will fairly present the financial position of the city; and thus avoid confusion occasioned by using inconsistent or spurious data.

When the District officials elected under home rule took office, they inherited from the Congress vast and complex financial management systems, along with the new governmental responsibilities for these systems.

The audit incorporated in this bill is necessary in order to provide the new local government with the information necessary to ascertain the financial condition of the city and make appropriate management judgments and adjustments. It is also necessary to assure the Congress that the city's management systems and financial situation are sound.

The sponsors of the bill opted for an outside audit conducted by an independent auditor, rather than utilize the services of the General Accounting Office, because it was felt that an independent auditor would be able to devote a full staff to the audit, and also perhaps bring a new and different approach to the review of the District's finances.

#### NEED FOR THIS LEGISLATION

The Comptroller General of the United States, in his testimony before the Committee on December 8, 1975, stated that the District's problems are such that if an audit of the financial operations and statements was made, the auditor would most likely conclude that the records and controls were not adequate to enable him to indicate whether or not the financial statements derived from them presented fairly the District Government's financial condition and results of operations.

Because of this situation, neither the District Government nor the Congress can attest to the validity or the accuracy of financial reports issued by the District Government and whether they reflect the actual financial condition of the District of Columbia. Yet, the local government is dependent upon such financial reports in determining budgetary policy and the Congress is dependent upon them in evaluating that policy.

This legislation will increase the District Government's financial efficiency and eliminate costly management errors. Hopefully, it will reduce the length of time it now takes the District to formulate its budget requests and make it easier for the Congress to evaluate those requests.

#### PRINCIPAL PROVISIONS OF THE BILL

As amended, H.R. 11009 provides that the Comptroller General of the United States shall enter into one or more contracts for the design and implementation of financial planning, reporting, and control systems for the Government of the District of Columbia. The Comptroller General is authorized to take such action only after consultations with the Chairmen and ranking minority Members of the House and Senate legislative committees and appropriations subcommittees on the District of Columbia and with the Chairman of the District Council, as to (1) the scope of such contracts, (2) the selection of the contractor or contractors, and (3) the schedule for completing such contracts.

Within 6 months after the implementation by the Mayor of the District of Columbia of such changes as are recommended in the financial planning, reporting and control systems, the Council shall provide for an independent audit of the District Government's accounting records and procedures in order for an opinion to be rendered that the financial statements fairly present the financial position of the funds and accounting records of the D.C. Government. Such an independent audit would be required every three years thereafter.

The Comptroller General in his testimony before the Committee, emphasizing the prime importance of getting the systems in shape before traditional audit is made, stated :

#### STATEMENT OF THE COMPTROLLER GENERAL

##### SYSTEMS IMPROVEMENT NEEDED

The old saw says "first things first." Trite but true. And we believe—as we have long believed—that the "first" need here is systems improvement. Indeed, we have been working with District personnel for several years to get their accounting systems improved to the point that we can approve them. As you know, these systems are subject to our approval across Government.

We were encouraged with the interest shown by the District in developing an adequate financial management system following the rather extensive study of its financial affairs about 3 years ago by the Nelsen Commission.

Shortly thereafter, in February 1972, we approved a statement of accounting principles and standards for the District, which set forth the major concepts and accounting principles that were to serve as the framework for the improvement of its financial accounting; that is, its systems.

The District has made some progress since that time. However, we have been disappointed that its accounting systems are still far from acceptable. In September 1975, I brought our disappointment to the attention of the Mayor. A copy of my letter to him and his response are attached (attachments III and IV).

We believe that a systems improvement effort must be undertaken before an efficient and effective audit of the District of Columbia financial situation can be accomplished. If additional resources are to be provided, we urge they be applied first to improving the procedures and systems.

While an outside contractor can no doubt be of considerable help in this process, there must also be significant involvement by District personnel. We would urge also that any such contract provide for contractor help in implementing the new procedures, including training of District of Columbia personnel.



## GAO ACTIVITIES RE THE DISTRICT

The Comptroller General testified that GAO has long been concerned over the quality of the financial management of the District of Columbia Government. GAO has a staff of 25 working on a continuing basis reviewing the District's activities in an effort to improve the management of District operations.

The following exchange of correspondence between the Comptroller General and the Mayor of the District illustrates the concerns of both about the problems this bill seeks to address.

COMPTROLLER GENERAL OF THE UNITED STATES,  
*Washington, D.C., September 23, 1975.*

HON WALTER E. WASHINGTON,  
*Mayor of the District of Columbia.*

DEAR MAYOR WASHINGTON: I have recently reviewed the status of your accounting systems improvement effort and am disappointed, as I am sure you must be, at the slow progress being made.

When we approved your accounting principles and standards almost 3½ years ago, we had high hopes that that was the beginning of a vigorous systems improvement effort in the District of Columbia.

I realize that following our report of March 13, 1972, on violations of the Anti-Deficiency Act, you were under pressure to do a lot of "dike-patching." I am also aware of the reorganization and strengthening of your financial management structure that has since taken place. Nevertheless, progress in developing systems which meet our requirements for approval appear minimal, as indicated in the enclosed summary which is to be included in our 1975 report to the Congress on our accounting system work.

From our point of view—based on observing accounting systems developments in Federal agencies—we believe that a major obstacle to progress in the District has been the problem of clearly identifying and defining boundaries of the various accounting systems and subsystems used by District of Columbia organizations. This must be done to permit several designs to be prepared simultaneously, which is necessary if all of the District's numerous accounting systems are to be approved and operating within a reasonable period of time. This information is also necessary to determine whether the system which has been informally submitted for our evaluation meets our standards and is therefore approvable.

We urge that you and your staff, as soon as possible, address this issue and the related issues of what level in the District organizations will be responsible for designing and operating the various systems and segments. Once these basic issues are settled, the design and documentation work can be planned and undertaken more effectively.

We are appealing to you again on this matter because we are very much interested in seeing that the District has an effective accounting and financial management system. You can count on our continued cooperation.

Sincerely yours,

ELMER B. STAATS,  
*Comptroller General of the United States.*

THE DISTRICT OF COLUMBIA,  
*Washington, D.C., October 21, 1975.*

HON. ELMER B. STAATS,  
*Comptroller General of the United States, General Accounting Office,  
Washington, D.C.*

DEAR MR. STAATS: Thank you for your letter of September 23, 1975, in which you expressed your concern regarding the District of Columbia's progress in improving its accounting systems. In my judgment, the District has been moving in a responsible and timely manner in that area, especially when the District's efforts are viewed in the context of its particular requirements as a municipal government.

In your letter you cite experiences with Federal departments and agencies in evaluating the District's efforts:

"From our point of view—based on observing accounting systems developments in Federal agencies—we believe that a major obstacle to progress in the District has been the problem of clearly identifying and defining boundaries of the various accounting systems and subsystems used by District of Columbia organizations."

The District is subject to pressures that are different in many important ways from those being felt by Federal departments, however. The city must operate within stringent funding constraints, thus putting a premium on effective monitoring of obligations and revenues. In addition, city officials and managers need highly detailed program and financial data to respond to the public's demands for accountability by those officials.

In response to the city's special requirements and the overall requirements of sound financial management, we are carrying out concurrently a number of systems development projects, including the work that you have suggested defining the various systems and subsystems in the District.

As the attachment to your letter points out, the city is planning to put in operation by October 1, 1976, a new appropriation-allotment system. That system will improve the timeliness, availability, and accuracy of information on obligations and financial plans at the agency level and at the central level. It will also provide for better safeguards against over-obligations. A more detailed description of the planned system is included in the attachment to this letter.

At the same time, we are planning to make major improvements in personnel management and position control by October 1, 1976. The personnel management system will provide for better information and control.

Preliminary meetings have been held on the development of a new revenue accounting system.

We are also working to identify and define all accounting subsystems in the District, as called for by your letter.

I strongly believe that it is essential that these various improvement efforts be carried out concurrently. The planned improvements in obligation and personnel control are vital to responsible financial management in the District Government and cannot be delayed until all accounting subsystems have been identified and defined. Because of the complexity of the programming and systems design required,

it will be difficult to achieve the planned starting date of October 1, 1976, for the systems. Any delay would push the starting date back to Fiscal Year 1978 or later. I believe that such a delay should be avoided if at all possible.

I am hopeful that the concurrent work on the inventory and systems definition will provide the necessary information for the development of the new system. Agencies will be better able to assess their needs as a result of their experience with the design of the new obligation and personnel systems. They will also gain a better understanding of how the new system will meet their needs if they see the system itself under development rather than the design documents for the system.

While we may not agree on the specific steps to be taken in the development of the new system, I am confident that we share the same goal of significantly improving the District's financial management system. I appreciate the ongoing assistance provided by your office in this effort.

Sincerely yours,

WALTER E. WASHINGTON, *Mayor*.

#### FINANCIAL PROBLEMS OF THE DISTRICT

The Comptroller General stated a few specific examples of some of the financial problems which GAO has found in the District.

(1) GAO over the years issued several reports on inadequacies in the District's payroll system; the most recent of which was issued in October 1972. This report recited numerous instances of persistent and widespread pay and leave errors.

(2) A 1974 review of the District school system's procedures for controlling personnel and funds showed that substantial problems existed including an inability, as one example, even to determine the number of employees at each school.

(3) In April 1974 GAO reported that its audit of the District's Forest Haven Home for the Retarded had been hampered and limited because of inadequacies in the accounting system, the unavailability of accounting records and unreliable and inaccurate accounting data.

GAO reported that the Department of Human Resources, which runs Forest Haven, may have improperly spent grant funds. Errors and shortcomings in the District's accounting records for Forest Haven raised questions concerning the Department's ability to effectively control the use of its funds.

(4) In August 1975 GAO reported to the District that a proposed billing system for water and sewer services would result in overcharging many of the 41,000 households in one section of the city. The amount of the potential overcharge could have been as much as \$300,000. GAO assisted the District in developing a billing system that would result in correct charges for water and sewer services.

(5) The District assumed added problems when it acquired the Redevelopment Land Agency. GAO's recent review of the Agency's 14th Street Urban Renewal Project was hampered by the lack of records. The agency did not know the number of properties acquired, or their acquisition cost. The rent accounts included duplicate charges as well as improper charges for vacant properties.



There was a loss of between \$9,000 and \$12,000 on 232 apartments for which the Agency collected no rent because lease agreements had not been obtained. These cases were identified by a GAO search.

(6) During the past few years various in-house task force teams and auditors have identified deficiencies in billings and collections at Department of Human Resources health facilities. GAO's work showed that \$5 million in billings on 8,000 patient accounts had not been submitted for medicaid reimbursement because the accounts did not contain zip codes or complete addresses. Bills were submitted as a result of GAO's findings. In April 1974 one of these task forces reported several problems in accounts receivable. It said that the balance was uncertain—between \$100 and \$125 million, and that collections were very slow. Some accounts had been outstanding since before 1966; backlogs existed in posting payments to accounts; bad debts had not been written off; and collection efforts were minimal. The task force said that a detailed analysis of all the accounts—a very time consuming task—would be necessary to come up with an accurate figure of the accounts receivable.

These examples, the Comptroller General testified, are supportive of his findings of the need for major improvements in the District's financial management system. And he insisted: "Clean up the records and straighten up the system before undertaking a post audit to issue an opinion on the financial statements."

In the past 4 years GAO has provided 27 reports to the Congress, Congressional Committees, and Members on the problems and needed improvements of the District of Columbia Government. In addition, it has issued 12 reports to District officials.

Attached is a listing of these reports (Appendix I). GAO staff is currently working on a number of other assignments not yet reported. The more important of these are listed in Appendix II. These reports illustrate quite clearly that there is a need for major improvement in the financial management system of the District.

#### APPENDIX I

Title	B-number	Date
GAO reports to Congress, congressional committees, and individual members:		
Study of child care activities in the District of Columbia.....	174895	Jan. 24, 1972
Letter report on whether or not the District of Columbia was in violation of the Anti-Deficiency Act in connection with its fiscal year 1971 appropriations or allotments.....	118638	Mar. 13, 1972
Activities of Blackman's Development Center.....	164031	Apr. 28, 1972
Examination into financing and other matters related to preliminary surveys and construction services for the capital improvements program.....	118638	May 5, 1972
Problems in financial and property management at the District of Columbia Teachers College.....	167006	May 16, 1972
Improvements needed in policy for establishing regulatory fees.....	118638	July 12, 1972
Violations of the Anti-Deficiency Act.....	118638	Sept 15, 1972
Problems in financial and property administration at Washington Technical Institute, District of Columbia.....	167006	Oct. 27, 1972
Payroll operations of the District of Columbia government need improvement.....	118638	Oct. 30, 1972
Controls over funds available to the District of Columbia public schools.....	118638	Oct. 31, 1972
Child-care activities in Chicago, Ill., and St. Louis, Mo.....	174895	Nov. 17, 1972
Study of Federal programs for manpower services for the disadvantaged in the District of Columbia.....	146879	Jan. 30, 1973
Regarding personnel need for new correctional facilities, District of Columbia.....	118638	Mar. 7, 1973
Municipal audit and inspection (OMAI) of the expenditure of funds by the District of Columbia public schools (DCPS) during fiscal years 1970 and 1971.....	118638	Mar. 8, 1973
Review of the solid waste collection program.....	118638	May 2, 1973
District of Columbia courts' personnel needs.....	175428	May 10, 1973
District's expenditures for telephone services and the adequacy of its controls over such services.....	118638	May 31, 1973
Study of programs for health services in outpatient health centers in the District of Columbia.....	118638	July 31, 1973

## APPENDIX I—Continue

Title	B-number	Date
Review of the District's police and firemen retirement and relief system.....	118638	Apr. 10, 1974
Better management needed for tighter security at Lorton Correctional Institutions.....	118628	June 21, 1974
Review of inmate and employees' welfare funds and Department of Corrections and Bureau of Prisons selected costs.....	118538	Do.
Solid waste disposal activities (Lorton landfill).....	118638	Sept. 26, 1974
Out-of-city travel, Department of Human Resources Public School System, District of Columbia.....	118638	Dec. 4, 1974
What is being done about individuals who fail to file a District income tax return.....	118623	Mar. 20, 1975
Resource management can be improved by greater use of productivity techniques in the District of Columbia.....	163762	Apr. 16, 1975
Comprehensive child care plan.....	118638	Oct. 8, 1975
A case for providing pay-as-you-go privilege to military personnel for State income taxes.....	125036	Nov. 19, 1975
GAO reports to District officials:		
Implementation of the supplemental food program, District of Columbia government....	118638	Feb. 1, 1972
Closeout letter—Review of billings and collections.....		Feb. 10, 1972
Lead-based paint poisoning of children in the District of Columbia.....	118638	Mar. 20, 1972
Review of licensing and inspection activities, District of Columbia government.....		May 30, 1973
Review of the award of negotiated personal services contracts and controls over non-appropriated funds, District of Columbia public schools.....		Aug. 31, 1973
Improvements needed in assigning Metropolitan Police Department officers.....	118638	Dec. 21, 1973
Survey of the District of Columbia budget as a management device to improve effectiveness and productivity.....		Mar. 20, 1974
Department of Human Resources, administration of the medicaid program.....	164031	Aug. 22, 1974
District of Columbia public schools warehousing operations.....		Jan. 24, 1975
Correction of water and sewer overcharges to northwest county customers.....		Aug. 21, 1975
Supply management in the Department of Environmental Services, District of Columbia.....		July 18, 1975
Housing issues which need consideration by the District government.....		Oct. 20, 1975

## APPENDIX II

DISTRICT OF COLUMBIA GOVERNMENT AUDIT—ACTIVE JOBS,  
NOVEMBER 1975*Public safety*

Office of Youth Opportunity Services.  
Motor Equipment Management.  
Solid Waste Collection Program.

*Finance and revenue*

Administration of Self-Assessed Taxes.  
Property Tax Administration.

*Housing*

Urban Renewal Activities, 14th Street.  
Abandoned and Vacant Housing in District of Columbia.

*Public schools*

Long Range Capital Improvement Plan.  
Resource Management Systems.

*Procurement activities*

Procurement and Supply Activities.

*Health and welfare*

Eligibility in the District AFDC Program.  
Program to Reduce Welfare Rolls by Providing Employment with Career Potential.

The General Accounting Office, in its report of February 27, 1976 to the House District Committee, entitled "Improvements Needed in Accounting Systems and Suggestions for Their Improvements", iden-



## JUSTIFICATIONS FOR THE LEGISLATION

tified the existing problems of the District government management systems, the extent to which attempts by the District have been successful, and the recommendations for design and implementation improvements.

The report had been requested by the Chairman, and it outlines the improvements needed in the District Government's accounting system, District Government's plans for improvement, and an evaluation of those plans on the basis of planned time frame, costs, and technical approach. The report concludes with suggested priorities if a contractor is hired to improve the accounting systems and suggestions for improved financial management and financial reporting for the District through their efforts, combined with the efforts of Congress and GAO.

ACCOUNTING SYSTEMS OPERATED BY AGENCIES OF THE  
DISTRICT GOVERNMENT

Some indication of the need for overhaul of the financial management and accounting systems of the District of Columbia Government is readily apparent from the GAO's listing of the 16 various accounting systems presently operated by agencies of the District Government, as follows:

Armory Board: Multipurpose accounting (Stadium operating fund); Revolving fund accounting (Armory working capital fund).

Department of Corrections: Grant accounting; Multipurpose accounting (Capital outlay); Multipurpose accounting (Inmate welfare fund).

Department of Environmental Services: Cost accounting; Revenue accounting.

Department of General Services: Multipurpose accounting (Educational surplus property); Project accounting (Construction services); Revolving fund accounting (Postage); Revolving fund accounting (Printing and reproduction); Revolving fund accounting (Plant repairs and improvement).

Department of Human Resources: Multipurpose accounting (D.C. General Hospital); Multipurpose accounting (Glendale Hospital); Multipurpose accounting (Departmental central system).

Department of Manpower: Grant accounting.

Department of Recreation: Multipurpose accounting.

Department of Transportation: Project accounting (Highway construction); Revolving fund accounting (Maintenance and repair of vehicles); Revolving fund accounting (Street restoration).

Executive Office of the Mayor: Multipurpose accounting (Publications fund).

Metropolitan Police Department: Cost accounting.

Office of Human Rights: Grant accounting.

Office of Planning and Management: Multipurpose accounting (Share computer center).

Office of the Surveyor: Cost accounting.

Public Schools: Multipurpose accounting (Food services fund).

Washington Technical Institute: Multipurpose accounting.

Youth Opportunity Services: Multipurpose accounting.

#### GAO SUGGESTED PRIORITIES IF A CONTRACTOR IS HIRED TO IMPROVE THE ACCOUNTING SYSTEMS

The sequence of tasks in this chapter represents our suggested priorities for the work which can best be accomplished with a contractor during the next 2 years. The objectives of most of these tasks were explained in chapter four.

The sequence of tasks which we are suggesting includes an identification of the financial information which must be produced and, if necessary, a restructuring of the accounting systems. Although these tasks may duplicate or negate certain work that has been performed on the financial management information system (FMIS), we believe that they are necessary to insure that the District government's improved accounting systems will be capable of producing all needed financial information and will produce it most effectively and efficiently. These tasks were not adequately performed before the FMIS design was started.

Our suggested sequence of tasks follows.

1. Design, in conformity with generally accepted accounting principles, financial statements which will present fairly the financial position and results of operations of the respective District government funds.

2. Identify the financial information needed by the congressional committees with responsibilities for the District government, the City Council, and the Mayor and his staff.

3. With the assistance of District government personnel, identify all financial information needed by each District agency. A special effort should be made to identify the information needed by the heads of the agencies and their staffs, intermediate level managers, and the managers of major programs and functions, because little attention has been given to their needs in the past.

4. Prepare formats of the reports that must be produced to satisfy the identified needs for financial information and obtain verification from the intended recipients that the reports will be adequate. In performing this task, the reports formats prepared for FMIS should be used to the extent possible.

5. Identify the most logical source for each item of financial information on the formats of the financial statements and reports.

6. Group the identified sources of information into a logical structure of accounting systems, establish the boundaries for each system, prepare a description of each system, and identify the interfaces between systems.

7. Evaluate the work that has been performed on FMIS and incorporate as much as possible into the new structure of systems.



8. Design as many of the new systems as possible during the remainder of the 2-year period, starting with those most vital to producing the information needed to prepare financial statements and reports to the Congress, City Council, and Mayor.

9. After the designs have been approved by our Office, the contractor should help the District government implement the systems, train District government personnel to operate the systems, and prepare an accounting manual for each system.

Although a contractor could possibly apply sufficient resources in 2 years to design and implement all of the new accounting systems, it is not probable. If the work is not completed in 2 years, we believe that the tasks which we have suggested would bring the work to a point where it could be completed within a relatively short time by the same contractor, another contractor, or by District government personnel.

#### HISTORY OF H.R. 11009

Hearings on this bill were held by the Full Committee on December 8, 1975, and March 1, 1976.

From the testimony elicited, particularly from the Comptroller General and other representatives of the General Accounting Office, it was the consensus that the initial emphasis should be placed on improving the financial management system of the District.

On March 24 and 30, 1976, the Subcommittee on Government Operations held further hearings on the proposed legislation. Among those testifying as to the need for the major provisions of this bill were the Budget Officer and Special Assistant to the Mayor; a representative of the Chairman of the Council of the District of Columbia; the Director, Financial and General Management Studies Division of the General Accounting Office; and the President of the District of Columbia Institute of Certified Public Accountants. Also written testimony was submitted by the Office of Management and Budget, and by the President of the American Institute of Certified Public Accountants.

Thereafter, the Subcommittee on Government Operations approved an amendment to H.R. 11009 in the nature of a substitute. The substitute alters the scope of the bill in order to encompass a financial systems analysis, design, and implementation, which is essential if a meaningful audit of the District Government's financial situation is to take place. Provisions for such an audit are retained in the bill.

The Full Committee approved the substitute as reported herewith, amending the funding provision to provide that the cost for the management systems study and implementation shall be shared by both the Federal and the District Government. Once the system is in place, the cost for the conduct of an independent audit shall be assumed by the District Government.

#### SECTION-BY-SECTION ANALYSIS

##### *Section 1*

(a) Provides for the Comptroller General to determine the scope of the work to be contracted, select the contractor to perform each contract, and determine completion schedule. He is required to consult with the Chairmen and ranking Members of the House District

of Columbia Committee, House Committee on Appropriations, Senate District of Columbia Committee, Committee on Appropriations of the Senate, and also the Chairman of the District of Columbia Council.

(b) The scope and schedule for each contract shall be set forth.

(c) Contractors shall have full access to District records, files, and other resources.

(d) Quarterly schedule for issuance of reports on the status of each contract to the Congress, the President, the District of Columbia Council, and the Comptroller General.

(e) Upon completion of each contract, contractor shall submit reports to the District Government, the Congress, the President, and the Comptroller General with recommendations, and time schedule for improvements.

(f) Mayor to implement recommended changes in accordance with time frame, and submit reports to the same parties as to the status of the implementation thereof.

### *Section 2*

Requires that the District of Columbia Council appropriate funds to conduct an independent audit of the financial position of the Government of the District of Columbia. Such funds must be allocated within six months after the first day of the first elapsed fiscal year following complete implementation by the Mayor of the recommendations of the contractors. Such an independent audit must be conducted every three years thereafter.

### *Section 3*

Requires the District to provide 50 percent of the costs of the financial systems improvement contracts and limits the Federal contribution to \$750,000 for each of the fiscal years from 1977 through 1979.

### *Section 4*

Makes the bill applicable to the Mayor, the Council, and all independent and subordinate agencies and departments of the District.

## STATEMENTS REQUIRED BY RULE XI(1)(3) OF HOUSE RULES

### OVERSIGHT FINDINGS AND RECOMMENDATIONS

The Committee's oversight findings with respect to the matters with which the bill is concerned remain as a part of its continuing Congressional oversight required by the Constitution and specifically provided for in the Home Rule Act (Sections 601, 602, 604 and 731 of Public Law 93-198; 87 Stat. 774).

### BUDGET AUTHORITY

This local legislation for the District of Columbia creates no new budget authority or tax expenditure by the Federal Government. Therefore, a statement required by Section 308(a) of the Congressional Budget and Impoundment Control Act of 1974 is not necessary.



## CONGRESSIONAL BUDGET OFFICE ESTIMATE AND COMPARISON

No estimate and comparison of costs has been received by the Committee from the Director of the Congressional Budget Office, pursuant to Section 403 of the Congressional Budget and Impoundment Control Act of 1974. (See cost estimate below by this Committee.)

## COMMITTEE ON GOVERNMENT OPERATIONS SUMMARY

No oversight findings and recommendations have been received which relate to this measure from the Committee on Government Operations under Clause 2(b) (2) of Rule X.

## INFLATIONARY IMPACT

The bill, if enacted into law, will have no foreseeable inflationary impact on prices or costs in the operation of the national economy.

## COSTS

Various estimates as to the cost of this legislation were made to the Committee, from the GAO rough estimate of a total of \$2 to \$3 million for a 2- to 3-years undertaking, to the District Government figures of \$6 to \$9 million (\$2 to \$3 million each year for 3 years).

The Committee having weighed the testimony and the nature of the project decided to go along with the GAO estimate since GAO will define the scope of the work and will be the contracting agent. However, the Committee amended the Subcommittee substitute to require that the District should provide 50 percent of the costs of the financial systems improvement contracts and that, in any event, the Federal Government shall appropriate no more than \$750,000 in any one year, and no more than \$2,250,000 over three years, as the Federal share of the costs.

The District will pay the costs of the audits.

## COMMITTEE VOTE

The bill, H.R. 11009, as amended, was favorably reported to the House on May 3, 1976, by unanimous voice vote of the Committee.



[From the Congressional Record, May 24, 1976]

## FINANCIAL PLANNING, REPORTING, AND CONTROL SYSTEMS FOR THE GOVERNMENT OF THE DISTRICT OF COLUMBIA

Mr. DIGGS. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (H.R. 11009) to provide for an independent audit of the financial condition of the government of the District of Columbia, and ask unanimous consent that the bill be considered in the House as in Committee of the Whole.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The Clerk read the bill, as follows:

H.R. 11009

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the—*

(1) chairman of the Committee on the District of Columbia of the House of Representatives,

(2) chairman of the Committee on the District of Columbia of the Senate,

(3) chairman of the Committee on Appropriations of the House of Representatives,

(4) chairman of the Committee on Appropriations of the Senate, and

(5) chairman of the Council of the District of Columbia

shall jointly select an independent certified public accountant to carry out a comprehensive audit, by conducting such tests and examinations of the accounting records of the District of Columbia as he deems necessary, to certify that the statements of financial condition and changes in condition of all funds managed by the District of Columbia fairly present the financial condition of such funds in accordance with generally accepted accounting principles.

(b) The Comptroller General of the United States shall enter into a contract to conduct the audit described in subsection (a) with the certified public accountant selected under such subsection.

(c) The certified public accountant selected pursuant to subsection (a) shall have full access to such books, persons, accounts, financial records, reports, files, and all other papers, things, or property of the District of Columbia as he deems necessary to facilitate the audit described in such subsection.

(d) Upon completion of the audit described in subsection (a), the certified public accountant selected pursuant to such subsection shall submit the audit report to the Congress, to the President, to the Council of the District of Columbia, and to the Mayor of the District of Columbia.

SEC. 2. The Council of the District of Columbia shall provide for and allocate funds for independent audits of the type described in the first section of this Act, to be conducted at least once every three years after completion of the audit conducted pursuant to the first section of this Act. The results of each such audit shall be submitted to the Congress, the President, and the Mayor of the District of Columbia.

SEC. 3. There is authorized to be appropriated not to exceed \$1,500,000 to make payments under the contract entered into pursuant to subsection (b) of the first section of this Act.

## COMMITTEE AMENDMENT

The SPEAKER pro tempore. The Clerk will report the committee amendment.

The Clerk read as follows:

Committee amendment: Strike out all after the enacting clause and insert in lieu thereof the following:

That (a) after consulting with the chairman and ranking minority member of the Committee on the District of Columbia of the House of Representatives, the chairman and ranking minority member of the Committee on the District of Columbia of the Senate, the chairman and ranking minority member of the Committee on Appropriations of the House of Representatives, the chairman and ranking minority member of the Committee on Appropriations of the Senate, and the chairman of the Council of the District of Columbia about (1) the scope of one or more contracts for the design and implementation of financial planning, reporting, and control systems for the government of the District of Columbia, (2) the selection of the contractor to perform each such contract, and (3) the schedule for completing each such contract, the Comptroller General of the United States shall enter into one or more such contracts.

(b) Each contract entered into pursuant to subsection (a) shall set forth the scope of the work to be performed and a schedule of completion dates for each portion of such work.

(c) Each contractor shall have full access to such books, persons, accounts, financial records, reports, files, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete such contracts.

(d) At least once during each calendar quarter after establishment of the schedule for completing each contract and until the completion of such contract, each contractor shall report to the Congress, the President, the Council of the District of Columbia, and the Comptroller General of the United States on the progress toward completion of such contract.

(e) Upon completion of each contract for the design of any financial planning, reporting, or control system of the government of the District of Columbia, the contractor shall submit to the Congress, the President, the Council of the District of Columbia, the Mayor of the District of Columbia, and the Comptroller General of the United States, a report containing recommendations for (1) such changes, within the scope of such contract, in the financial planning, reporting, and control systems of the government of the District of Columbia as such contractor determines should be made before an audit can be conducted in accordance with generally accepted auditing standards in order to render an opinion that the financial statements of the funds and account groups of the government of the District of Columbia present fairly the financial position of such funds and account groups and the results of operations of such funds and the changes in financial positions of such funds, in conformity with generally accepted accounting principles, and (2) a schedule for implementing the recommended changes, including the amount of time and the number of District of Columbia personnel required to complete the implementation of such changes.

(f) The Mayor of the District of Columbia, with the assistance of one or more contractors chosen pursuant to subsection (a), shall implement the changes recommended pursuant to subsection (e) in accordance with the schedule recommended for implementing such changes. Within three months after submission to the Mayor of the District of Columbia of each report required by subsection (e), and at least once each calendar quarter thereafter until such change recommended in such report is implemented, each contractor shall report, within the scope of his contract, to the Congress, the President, the Council of the District of Columbia, and the Comptroller General of the United States, on the status of the implementation of the changes recommended pursuant to subsection (e) in accordance with the schedule recommended for implementing such changes. Each contractor shall make such other reports as may be requested by the Congress, the President, the Council of the District of Columbia, or the Comptroller General of the United States.



SEC. 2. Within six months after the first day of the first full fiscal year after the Mayor of the District of Columbia has completed implementation of the recommendations made pursuant to subsection (c) of the first section of this Act, the Council of the District of Columbia shall provide for and allocate funds for an audit for such first full fiscal year in accordance with generally accepted auditing standards to be carried out by an independent certified public accountant, who shall conduct such tests of the accounting records of the government of the District of Columbia and such other auditing procedures as he deems necessary, in order to render an opinion that the financial statements of the funds and account groups of the government of the District of Columbia for such first full fiscal year present fairly the financial position of such funds and account groups and the results of operations of such funds and the changes in financial position of such funds, in conformity with generally accepted accounting principles. At least once every three years thereafter, the Council of the District of Columbia shall provide for and allocate funds for an audit in accordance with generally accepted auditing standards to be carried out by an independent certified public accountant, who shall conduct such tests of the accounting records of the government of the District of Columbia and such other auditing procedures as he deems necessary, in order to render an opinion that the financial statements of the funds and account groups of the government of the District of Columbia present fairly the financial position of such funds and account groups and the results of operations of such funds and the changes in financial position of such funds, in conformity with generally accepted accounting principles applied on a basis consistent with that of the immediately preceding audit required by this section. The results of each such audit shall be submitted to the Congress, the President, the Council of the District of Columbia, the Mayor of the District of Columbia, and the Comptroller General of the United States.

SEC. 3. (a) For each of the fiscal years ending September 30, 1977, September 30, 1978, and September 30, 1979, there is authorized to be appropriated to the Comptroller General of the United States \$750,000 to make payments under contracts entered into pursuant to subsection (a) of the first section of this Act. Sums appropriated under this section are authorized to remain available until expended.

(b) The Comptroller General may enter into such contracts only to the extent and in such amounts as are provided in appropriation Acts.

(c) (1) No funds appropriated under subsection (a) may be used for any payment under any such contract in an amount greater than 50 per centum of the total amount of such payment.

(2) The Council of the District of Columbia shall make available to the Comptroller General of the United States such sums as the Comptroller General certifies to the Council are necessary in order that the District of Columbia provides an amount, with respect to each payment under each such contract, equal to the amount of Federal funds for such payment.

SEC. 4. For purposes of this Act, the term "government of the District of Columbia" includes the Mayor of the District of Columbia, the Council of the District of Columbia, and all agencies (as defined in paragraph (3) of section 3 of the District of Columbia Administrative Procedure Act (D.C. Code, sec. 1-1502(3))) of the government of the District of Columbia.

Mr. DIGGS (during the reading). Mr. Speaker, I ask unanimous consent that the committee amendment be considered as read and printed in the Record.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. DIGGS. Mr. Speaker, I move to strike the last word.

(Mr. Diggs asked and was given permission to revise and extend his remarks.)

Mr. DIGGS. Mr. Speaker, as is set forth in House Report 94-1094, the purpose of H.R. 11009, as amended, is to provide for a financial systems analysis, design, and implementation for the government of the District of Columbia to insure that the financial statements of the government of the District of Columbia accurately reflect the financial con-

dition of the District of Columbia, and in order that an independent audit of the financial condition of the District of Columbia can be conducted with meaningful results.

#### BACKGROUND

H.R. 11009, a bill to provide for an independent audit of the government of the District of Columbia, was introduced by Chairman Diggs with seven cosponsors, including the ranking minority member of the District Committee. It was introduced because there has never been an audit of the District of Columbia by an independent entity, and members of the committee recognize that an audit of the city's finances will provide all who share responsibility for the effective administration and management of the city with a common set of data which will fairly present the financial position of the city; and thus avoid confusion occasioned by using inconsistent or spurious data.

When the District officials elected under home rule took office, they inherited from the Congress vast and complex financial management systems, along with the new governmental responsibilities for these systems.

The audit incorporated in this bill is necessary in order to provide the new local government with the information necessary to ascertain the financial condition of the city and make appropriate management judgments and adjustments. It is also necessary to assure the Congress that the city's management systems and financial situation are sound.

The sponsors of the bill opted for an outside audit conducted by an independent auditor, rather than utilize the services of the General Accounting Office, because it was felt that an independent auditor would be able to devote a full staff to the audit, and also perhaps bring a new and different approach to the review of the District's finances.

#### NEED FOR THIS LEGISLATION

The Comptroller General of the United States, in his testimony before the committee on December 8, 1975, stated that the District's problems are such that if an audit of the financial operations and statements was made, the auditor would most likely conclude that the records and controls were not adequate to enable him to indicate whether or not the financial statements derived from them presented fairly the District government's financial condition and results of operations.

Because of this situation, neither the District government nor the Congress can attest to the validity or the accuracy of financial reports issued by the District government and whether they reflect the actual financial condition of the District of Columbia. Yet, the local government is dependent upon such financial reports in determining budgetary policy and the Congress is dependent upon them in evaluating that policy.

This legislation will increase the District government's financial efficiency and eliminate costly management. Hopefully, it will reduce

the length of time it now takes the District to formulate its budget requests and make it easier for the Congress to evaluate those requests.

#### PRINCIPAL PROVISIONS OF THE BILL

As amended, H.R. 11009 provides that the Comptroller General of the United States shall enter into one or more contracts for the design and implementation of financial planning, reporting, and control systems for the Government of the District of Columbia. The Comptroller General is authorized to take such action only after consultations with the chairmen and ranking minority members of the House and Senate legislative committees and appropriations subcommittees on the District of Columbia and with the Chairman of the District Council, as to first, the scope of such contracts, second, the selection of the contractor or contractors, and third, the schedule for completing such contracts.

Within 6 months after the implementation by the Mayor of the District of Columbia of such changes as are recommended in the financial planning, reporting and control systems, the Council shall provide for an independent audit of the District government's accounting records and procedures in order for an opinion to be rendered that the financial statements fairly present the financial position of the funds and accounting records of the D.C. Government. Such an independent audit would be required every 3 years thereafter.

The Comptroller General, in his testimony before the committee, emphasized the prime importance of getting the system in shape before traditional audit is made.

#### JUSTIFICATIONS FOR THE LEGISLATION

The General Accounting Office, in its report of February 27, 1976 to the House District Committee, entitled "Improvements Needed in Accounting Systems and Suggestions for Their Improvements", identified the existing problems of the District government management systems, the extent to which attempts by the District have been successful, and the recommendations for design and implementation improvements.

The report had been requested by the Chairman, and it outlines the improvements needed in the District government's accounting system, District government's plans for improvement, and an evaluation of those plans on the basis of planned time frame, costs, and technical approach. The report concludes with suggested priorities if a contractor is hired to improve the accounting systems and suggestions for improved financial management and financial reporting for the District through their efforts, combined with the efforts of Congress and GAO.

#### COSTS

Various estimates as to the cost of this legislation were made to the Committee, from the GAO rough estimate of a total of \$2 to \$3 million for a 2- to 3-years undertaking, to the District government figures of \$6 to \$9 million (\$2 to \$3 million each year for 3 years).

The Committee having weighed the testimony and the nature of the project decided to go along with the GAO estimate since GAO will define the scope of the work and will be the contracting agent. How-



ever, the committee amended the subcommittee substitute to require that the District should provide 50 percent of the costs of the financial systems improvement contracts and that, in any event, the Federal Government shall appropriate no more than \$750,000 in any one year, and no more than \$2,250,000 over 3 years, as the Federal share of the costs.

The District will pay the costs of the audits.

#### COMMITTEE VOTE

The bill, H.R. 11009, as amended, was favorably reported to the House on May 3, 1976, by unanimous consent voice vote of the Committee.

#### TECHNICAL AMENDMENT TO THE COMMITTEE AMENDMENT OFFERED BY MR. DIGGS

Mr. DIGGS. Mr. Speaker, I offer a technical amendment to the committee amendment.

The Clerk read as follows:

Amendment to the committee amendment offered by Mr. Diggs: Page 6, line 6, strike out "(c)" and insert in lieu thereof "(e)"; and in line 15, strike out "(c)" and insert in lieu thereof "(e)".

Mr. DIGGS. Mr. Speaker, the amendment is to correct two errors by the Government Printing Office in the printing of the bill. They were not of sufficient importance for us to ask for a star print of the bill. That is why the amendment is now being offered.

The SPEAKER pro tempore. The question is on the amendment offered by the gentleman from Michigan (Mr. Diggs) to the committee amendment.

The amendment to the committee amendment was agreed to.

The SPEAKER pro tempore. The question is on the committee amendment, as amended.

The committee amendment, as amended, was agreed to.

Mr. GUDE. Mr. Speaker, I move to strike the last word.

(Mr. Gude asked and was given permission to revise and extend his remarks.)

Mr. GUDE. Mr. Speaker, the bill as reported by the District Committee follows, in substance, the recommendations made by the Comptroller General and the District of Columbia Institute of Certified Public Accountants. Before an independent audit of the District can be conducted it will be necessary to get the District's financial accounting systems in order. Therefore, the bill as reported first addresses the problem of designing and implementing new financial accounting systems for the District. The design of such systems will be done by independent contractors under the supervision of the Comptroller General. The Mayor will be required to implement their recommendations with the assistance of GAO supervised contractors. Once the new financial accounting systems have been implemented, the Council will be required to retain a certified public accountant to conduct an independent audit of the District's accounting records to determine if the District's financial statements fairly present the financial position of the District. Such independent audits will be required every 3 years.

The committee bill requires the District to pay one-half of the cost of the GAO contracts to design and implement the new financial accounting systems and, in any event, limits Federal expenditures to



\$750,000 for each of the fiscal years 1977, 1978, and 1979. The District is required to pay the entire cost of the independent audit.

I believe that this bill will serve three salutary purposes. First, it will enable the city to get a better handle on its financial situation and thereby improve its ability to manage itself more efficiently. Second, it will improve the quality of the information available to the Congress when it reviews the District's budget. Finally, it will provide private investors with the information they need to evaluate the financial condition of the District prior to investing in District bonds and notes. Thus, I support enactment of this bill.

Mr. HARRIS. Mr. Speaker, will the gentleman yield?

Mr. GUDE. I yield to the gentleman from Virginia.

(Mr. Harris asked and was given permission to revise and extend his remarks.)

Mr. HARRIS. Mr. Speaker, at the present time, neither the District government nor the Congress can attest to the validity or the accuracy of the financial reports issued by the District of Columbia government and whether they reflect the actual financial condition of the District of Columbia.

No one can attest to the actual condition of the Capital City of the United States of America, the Capital of the most powerful and wealthy Nation in the world, the city from which financial aid goes out to countries all over the world, the city which serves as headquarters of America's own auditors, the General Accounting Office, the city that some claim the citizens of Virginia and Maryland should support through a commuter tax.

And yet no one can attest to the financial condition of this city, according to the Comptroller General of the United States.

There can be no choice but for Congress to rectify this problem. This is unfinished business. This is a situation that the citizens of Washington inherited from Congress when they were finally granted home rule.

This is not a District of Columbia bill, this is a national bill. Every citizen of this country has a stake in the financial solvency of its Nation's Capital.

It must also be remembered that Washington is a multifaceted city. In addition to being the Capital, it must thrive and grow in its own right. It is a vital partner in solving regional problems in the greater metropolitan area. It also operates on a State level with Maryland and Virginia. In all of these interactions, its independence, its ability to act as an equal partner, rather than a ward of the Congress, depends greatly on its financial solvency. This bill will be a major step in that direction. Therefore, the passage of H.R. 11009 is critical to the future financial condition of the Capital of the United States.

Mr. FAUNTROY. Mr. Speaker, I move to strike the requisite number of words.

(Mr. Fauntroy asked and was given permission to revise and extend his remarks.)

Mr. FAUNTROY. Mr. Speaker, H.R. 11009, as amended, is to provide for a financial systems analysis, design, and implementation for the local District government to insure that the financial statements of the city accurately reflect the financial condition of the District of Columbia, and in order that an independent audit of the financial condition of the District government can be conducted.

The bill was introduced by Chairman Diggs with seven cosponsors, including the ranking minority member of the District Committee. The committee reported the bill to the floor by a unanimous vote on May 3, 1976. The present condition of the District's records demonstrates that neither the District government nor the Congress can attest to the validity or the accuracy of the financial reports issued by the District government, because there has never been an audit by an independent entity.

The situation is explained best by the Comptroller General of the United States in his testimony before the committee on December 8, 1975. He states that:

The District's problems are such that if an audit of the financial operations and statements was made, the Auditor would most likely conclude that the records and controls were not adequate to enable him to indicate whether or not the financial statements derived from them presented fairly the District Government's financial condition.

Mr. Speaker, the short of the Comptroller General's message is: "Clean up the records and straighten up the system," before undertaking a post audit to issue an opinion on the financial statements.

The bill is necessary to provide the new local government with the information necessary to ascertain the financial condition of the city and make appropriate management judgments and adjustments. It is also necessary to assure the Congress that the city's management systems and financial situations are sound.

The sponsors of the bill opted for an outside audit conducted by an independent auditor, rather than utilize the service of the General Accounting Office, because it was felt that an independent auditor would be able to devote a full staff to the audit, and also bring a new and different approach to the review of the District finances.

Mr. Speaker, in conclusion, various estimates as to the cost of this legislation were made to the subcommittee and the full committee. After weighing the testimony and the nature of the project, the Members decided that the District government should provide 50 percent of the costs of the financial systems improvements contracts, and that, in any event, the Federal Government's contribution shall be no more than \$750,000 in any 1 year; and no more than \$2,250,000 over 3 years. The District government would pay the costs of the post audits.

I urge unanimous support for H.R. 11009.

Mr. Diggs. Mr. Speaker, I move the previous question on the bill. The previous question was ordered.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. ASHBROOK. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 308, nays 2, not voting 121, as follows:

[Roll No. 298]

## YEAS—308

Abdnor	Conte	Hawkins
Adams	Corman	Hayes, Ind.
Addabbo	Cornell	Hays, Ohio
Allen	Coughlin	Hechler, W. Va.
Ambro	D'Amours	Heckler, Mass.
Andrews, N.C.	Daniel, Dan	Hefner
Andrews,	Daniel, R. W.	Henderson
N. Dak.	Daniels, N.J.	Hicks
Annunzio	Danielson	Hightower
Archer	Davis	Hillis
Armstrong	Delaney	Holt
Ashbrook	Dellums	Horton
Aspin	Derrick	Howard
Badillo	Devine	Howe
Bafalis	Dickinson	Hubbard
Baldus	Diggs	Hughes
Baucus	Downey, N.Y.	Hungate
Bauman	Downing, Va.	Hutchinson
Beard, R.I.	Drinan	Hyde
Beard, Tenn.	Duncan, Tenn.	Ichord
Bedell	Early	Jacobs
Bennett	Edwards, Calif.	Jeffords
Bevill	Eilberg	Jenrette
Biester	Emery	Johnson, Calif.
Blouin	English	Johnson, Colo.
Boland	Evans, Colo.	Johnson, Pa.
Bolling	Evans, Ind.	Jones, N.C.
Bonker	Evins, Tenn.	Jones, Okla.
Bowen	Fary	Kasten
Brademas	Fascell	Kastenmeier
Breaux	Fenwick	Kazen
Breckinridge	Findley	Kelly
Brinkley	Fish	Ketchum
Brodhead	Fithian	Keys
Brooks	Flood	Koch
Broomfield	Florio	Krebs
Brown, Calif.	Flowers	Krueger
Brown, Mich.	Foley	LaFalce
Brown, Ohio	Ford, Mich.	Lagomarsino
Broyhill	Forsythe	Latta
Buchanan	Fountain	Leggett
Burgener	Fraser	Lehman
Burke, Calif.	Frenzel	Lent
Burke, Fla.	Frey	Levitas
Burke, Mass.	Gaydos	Lloyd, Calif.
Burleson, Tex.	Gibbons	Lloyd, Tenn.
Burlison, Mo.	Ginn	Long, La.
Burton, John	Goodling	Long, Md.
Burton, Phillip	Gradison	Lott
Byron	Grassley	Lujan
Carney	Green	McClory
Carr	Gude	McCloskey
Chappell	Guyer	McCollister
Chisholm	Hagedorn	McDade
Clancy	Haley	McDonald
Clausen,	Hall	McEwen
Don H.	Hammer-	McFall
Clawson, Del.	schmidt	McHugh
Clay	Hanley	McKinney
Cleveland	Hannafor	Madden
Cochran	Hansen	Madigan
Cohen	Harris	Mahon
Collins, Tex.	Harsha	Mann



Meeds	Peyser	Spellman
Melcher	Pike	Spence
Metcalf	Poage	Staggers
Meyner	Pressler	Stanton, J. William
Mezvinsky	Price	Stark
Michel	Quie	Steed
Mikva	Regula	Steiger, Ariz.
Miller, Ohio	Reuss	Stephens
Minish	Richmond	Stratton
Mink	Riegle	Studds
Mitchell, Md.	Rinaldo	Talcott
Mitchell, N.Y.	Roberts	Taylor, Mo.
Moakley	Robinson	Taylor, N.C.
Moffett	Roe	Teague
Mollohan	Rogers	Thone
Montgomery	Rooney	Traxler
Moore	Rose	Treen
Moorhead,	Rosenthal	Tsongas
Calif.	Roush	Ullman
Moorhead, Pa.	Ruppe	Vander Veen
Mosher	Russo	Vanik
Moss	St Germain	Vigorito
Mottl	Santini	Waggonner
Murphy, N.Y.	Sarasin	Walsh
Murtha	Satterfield	Wampler
Myers, Ind.	Scheuer	Waxman
Myers, Pa.	Schroeder	Whalen
Natcher	Schulze	White
Neal	Seiberling	Whitehurst
Nedzi	Sharp	Whitten
Nichols	Shipley	Wilson, C. H.
Nolan	Shuster	Wilson, Tex.
Nowak	Sikes	Winn
Oberstar	Simon	Wolff
Obey	Sisk	Wright
Ottinger	Skubitz	Wylie
Passman	Slack	Yates
Patterson, Calif.	Smith, Iowa	Yatron
Pattison, N.Y.	Smith, Nebr.	Young, Fla.
Pepper	Snyder	Young, Tex.
Perkins	Solarz	Zablocki

## NAYS—2

Paul	Symms
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## NOT VOTING—121

Abzug	Crane	Goldwater
Alexander	de la Garza	Gonzalez
Anderson, Calif.	Dent	Hamilton
Anderson, Ill.	Derwinski	Harkin
Ashley	Dingell	Harrington
AuCoin	Dodd	Hébert
Bell	Duncan, Oreg.	Heinz
Bergland	du Pont	Helstoski
Biaggi	Eckhardt	Hinshaw
Bingham	Edgar	Holland
Blanchard	Edwards, Ala.	Holtzman
Boggs	Erlenborn	Jarman
Butler	Esch	Jones, Ala.
Carter	Eshleman	Jones, Tenn.
Cederberg	Fisher	Jordan
Collins, Ill.	Flynt	Karth
Conable	Ford, Tenn.	Kemp
Conlan	Fuqua	Kindness
Conyers	Gaiamo	Landrum
Cotter	Gilman	Litton



Lundine	Preyer	Steelman
McCormack	Pritchard	Steiger, Wis.
McKay	Quillen	Stokes
Maguire	Railsback	Stuckey
Martin	Randall	Sullivan
Mathis	Rangel	Symington
Matsunaga	Rees	Thompson
Mazzoli	Rhodes	Thornton
Milford	Risenhoover	Udall
Miller, Calif.	Rodino	Van Deerlin
Mills	Roncalio	Vander Jagt
Mineta	Rostenkowski	Weaver
Morgan	Rousselot	Wiggins
Murphy, Ill.	Roybal	Wilson, Bob
Nix	Runnels	Wirth
O'Brien	Ryan	Wydler
O'Hara	Sarbanes	Young, Alaska
O'Neill	Schneebeli	Young, Ga.
Patten, N.J.	Sebelius	Zeferetti
Pettis	Shriver	
Pickle	Stanton, James V.	

The Clerk announced the following pairs:

Mr. Zeferetti with Mr. Alexander.  
 Mrs. Boggs with Mr. Anderson of California.  
 Mr. Dent with Mr. Jones of Alabama.  
 Mr. Hébert with Mr. Karth.  
 Ms. Abzug with Mr. Ashley.  
 Mr. Rangel with Mr. Gonzalez.  
 Mr. Holland with Mrs. Sullivan.  
 Mr. Rees with Mr. Jarman.  
 Mr. Bingham with Mr. Bell.  
 Mr. Jones of Tennessee with Mr. Heinz.  
 Mr. Dingell with Mr. Pritchard.  
 Mr. Fisher with Mr. Schneebeli.  
 Mr. O'Neill with Mr. Kemp.  
 Mr. Patten with Mr. Anderson of Illinois.  
 Mr. Wirth with Mr. Steelman.  
 Mr. Biaggi with Mr. Carter.  
 Mr. Thompson with Mr. Landrum.  
 Mr. AuCoin with Mr. Shriver.  
 Mr. Giaimo with Mr. Rousselot.  
 Mr. Harrington with Mr. Cederberg.  
 Mr. McCormack with Mr. Young of Alaska.  
 Mr. Matsunaga with Mr. Conable.  
 Mr. Mazzoli with Mr. Railsback.  
 Mr. Mineta with Mr. Stuckey.  
 Mr. Nix with Mr. McKay.  
 Mr. Risenhoover with Mr. Martin.  
 Mr. Rodino with Mr. Conlan.  
 Mr. Murphy of Illinois with Mr. Butler.  
 Mr. Rostenkowski with Mrs. Pettis.  
 Mr. Morgan with Mr. Wiggins.  
 Mr. Roybal with Mr. Mills.  
 Mr. Stokes with Mr. Maguire.  
 Mr. Van Deerlin with Mr. Kindness.  
 Mr. Udall with Mr. Preyer.  
 Mr. Bergland with Mr. Vander Jagt.  
 Mr. Cotter with Mr. Wydler.  
 Mr. Blanchard with Mr. Randall.  
 Mr. de la Garza with Mr. Crane.  
 Mr. Litton with Mr. O'Hara.  
 Mrs. Collins of Illinois with Mr. Dodd.  
 Mr. Conyers with Mr. Eckhardt.  
 Mr. Mathis with Mr. Derwinski.  
 Mr. Duncan of Oregon with Mr. du Pont.

Mr. Milford with Mr. O'Brien.  
 Mr. Miller of California with Mr. Symington.  
 Mr. Edgar with Ms. Jordan.  
 Mr. Lundine with Mr. Edwards of Alabama.  
 Mr. Young of Georgia with Mr. Ryan.  
 Mr. Erlenborn with Mr. Bob Wilson.  
 Ms. Holtzman with Mr. Esch.  
 Mr. Sebelius with Mr. Hamilton.  
 Mr. Rostenkowski with Mr. Runnels.  
 Mr. Harkin with Mr. James V. Stanton.  
 Mr. Thornton with Mr. Flynt.  
 Mr. Ford of Tennessee with Mr. Sarbanes.  
 Mr. Fuqua with Mr. Gilman.  
 Mr. Pickle with Mr. Goldwater.  
 Mr. Roncalio with Mr. Steiger of Wisconsin.  
 Mr. Weaver with Mr. Quillen.  
 Mr. Helstoski with Mr. Eshleman.

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

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#### PERSONAL EXPLANATION

(Mr. Gilman asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GILMAN. Mr. Speaker, on rollcall No. 298 I was unavoidably detained with constituents. Had I been present, I would have voted "yea" on H.R. 11009, financial planning, reporting and control systems for the government of the District of Columbia.

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IN THE SENATE OF THE UNITED STATES

JUNE 23 (legislative day, JUNE 18), 1976

Mr. EAGLETON (for himself, Mr. CHILES, and Mr. MATHIAS) introduced the following bill; which was read twice and referred to the Committee on the District of Columbia

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**A BILL**

To provide certain improvements in the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That there is hereby established the Temporary Joint Com-  
4       mittee on Financial Oversight of the District of Columbia  
5       (hereinafter referred to as the "joint committee").

6       (b) The joint committee shall consist of four members  
7       as follows:

8               (1) the chairman of the Committee on the District  
9       of Columbia of the Senate;

II

1           (2) the chairman of the Committee on the District  
2 of Columbia of the House of Representatives;

3           (3) the chairman of the Committee on Appropria-  
4 tions of the Senate, or his delegate; and

5           (4) the chairman of the Committee on Appropria-  
6 tions of the House of Representatives, or his delegate.

7           (c) Three members of the joint committee shall con-  
8 stitute a quorum.

9           (d) A chairman and vice chairman of the joint com-  
10 mittee shall be selected by a majority vote of the full joint  
11 committee from among the members thereof. The vice chair-  
12 man shall act in the place and stead of the chairman in the  
13 absence of the chairman.

14           (e) The first meeting of the joint committee shall be  
15 called by the majority leader of the Senate and the Speaker  
16 of the House of Representatives, jointly.

17           (f) The joint committee is authorized, with the ap-  
18 proval of the chairman thereof, to utilize the personnel of  
19 the Committee on the District of Columbia of the Senate,  
20 the Committee on the District of Columbia of the House of  
21 Representatives, the Committee on Appropriations of the  
22 Senate and the Committee on Appropriations of the House  
23 of Representatives.

24           SEC. 2. (a) For the purpose of meeting the responsi-  
25 bilities imposed by the Constitution on the Congress with



1 respect to the District of Columbia, it shall be the function  
2 of the joint committee, after consultation with the Comp-  
3 troller General, the Mayor of the District of Columbia, and  
4 the Chairman of the Council of the District of Columbia,  
5 to select such qualified persons as the joint committee may  
6 determine necessary for the development of certain plans on  
7 behalf of the government of the District of Columbia (in-  
8 cluding assisting in the implementation thereof) for the  
9 purpose of improving the financial planning, reporting, and  
10 control systems of such government. Among the plans to be  
11 considered for development and implementation are the  
12 following:

13           (1) financial management system improvements  
14       plan;

15           (2) personnel-payroll system improvements plan;

16           (3) water-sewage billing and information system  
17       improvements plan;

18           (4) purchasing and material management system  
19       improvements plan;

20           (5) property accounting systems improvements  
21       plan;

22           (6) real property system improvements plan;

23           (7) welfare payments system improvements plan;

24           (8) human resources eligibility, payment, and re-  
25       porting system improvements plan;

## 4

1           (9) health care financial system improvements  
2       plan; and

3           (10) traffic ticket system control improvements  
4       plan.

5       (b) Each contract entered into with a person pursuant  
6 to subsection (a) of this section for the development of a  
7 system improvements plan shall contain a provision requir-  
8 ing that person to include within such plan procedures for  
9 the establishment of an ongoing training program for oper-  
10 ating personnel of the government of the District of Co-  
11 lumbia whose duties involve matters covered by such plan  
12 or part thereof in order to provide training for such person-  
13 nel in connection with the operation of such system.

14       (c) Upon the selection by the joint committee of each  
15 qualified person to develop and implement a plan pursuant  
16 to this section, the chairman of the joint committee shall  
17 enter into a contract or contracts with that person for the  
18 development and implementation of such plan.

19       (d) (1) Each such contract so entered into shall set  
20 forth the scope of the work to be performed, amounts to  
21 be paid thereunder, and a schedule of reporting and com-  
22 pletion dates, including a schedule of implementation dates,  
23 for each portion of such work. Each contractor shall have  
24 full access to such books, individuals, accounts, financial  
25 records, reports, files, and other papers, things, or property

## 5

1 of the government of the District of Columbia as such con-  
2 tractor deems necessary to complete such contract. The  
3 Comptroller General shall have full access to all documents  
4 produced under each contract in order to facilitate his review  
5 and approval.

6 (2) At least once during each one-hundred-and-  
7 eighty-day period after establishment of the schedule for  
8 completing each such contract and until the completion of  
9 such contract, each contractor shall report to the joint com-  
10 mittee on the progress toward completion of such contract.

11 (e) (1) With respect to any such contract or part  
12 thereof involving the design (including a preliminary de-  
13 sign) of a system referred to in subsection (a) of this sec-  
14 tion, the contractor, upon the completion of the plan or part  
15 relating to such design (including procedures for its im-  
16 plementation), shall submit such plan or part, together with  
17 a schedule for its implementation, to the Comptroller General  
18 of the United States for his consideration.

19 (2) With respect to any such contract involving work  
20 other than the design and implementation of such a system,  
21 the contractor, upon the completion of the plan or part  
22 thereof relating to such work (including its implementa-  
23 tion), shall submit such plan or part thereof, together with  
24 a schedule for implementing such plan or part, to the Comp-  
25 troller General of the United States for his consideration.

## 6

1       (3) Notwithstanding the foregoing provisions of para-  
2 graphs (1) and (2) of this subsection, no such plan, part,  
3 or schedule shall be submitted to the Comptroller General  
4 for his consideration unless such plan, part, or schedule has  
5 first been submitted to the lead contractor responsible for  
6 the development and implementation of a financial manage-  
7 ment system improvements plan pursuant to subsection  
8 (a) (1) of this section for such contractor's review, com-  
9 ments, and recommendations. A copy of such comments and  
10 recommendations, if any, shall be submitted, together with  
11 such plan, part, or schedule, to the Comptroller General in  
12 accordance with paragraphs (1) and (2) of this subsection.

13       (4) Within the sixty-day period following the date of  
14 the receipt by him of such plan or part thereof, and after  
15 consultation with the Mayor of the District of Columbia,  
16 the Council of the District of Columbia, and the joint com-  
17 mittee, the Comptroller General shall be authorized to ap-  
18 prove, disapprove, or modify such plan or part (including  
19 any schedule for the implementation thereof), in whole or in  
20 part. On or before the expiration of such sixty-day period,  
21 the Comptroller General, if he approves or modifies such  
22 plan or part in whole or in part, shall submit such plan or  
23 part, as so approved or modified, to the Congress. In any  
24 case in which the Comptroller General disapproves any such  
25 plan or part, in whole or in part, the Comptroller General



1 shall, within such sixty-day period, submit such plan or part  
2 so disapproved to the Congress, together with his reasons  
3 for such disapproval.

4 (f) Each such plan or part thereof so approved or  
5 modified by the Comptroller General shall be deemed to be  
6 a part of the financial planning, reporting, accounting, con-  
7 trol, and operating procedures of the government of the Dis-  
8 trict of Columbia. No plan or part thereof disapproved by  
9 the Comptroller General shall take effect.

10 (g) With respect to any such plan or part so deemed  
11 to be a part of the financial planning, reporting, accounting,  
12 control, and operating procedures of the government of the  
13 District of Columbia, the Mayor of the District of Columbia,  
14 with the assistance of the contractor responsible for such plan  
15 or part, shall implement such plan or part for the govern-  
16 ment of the District of Columbia in accordance therewith.  
17 The Comptroller General shall monitor such implementation  
18 and report as he deems appropriate to the joint committee.

19 SEC. 3. (a) For the purpose of meeting the oversight  
20 responsibilities imposed by the Constitution on the Congress  
21 with respect to the District of Columbia, the joint com-  
22 mittee is authorized and directed to cause to be undertaken,  
23 on behalf of the government of the District of Columbia,  
24 by a certified public accountant licensed in the District of  
25 Columbia, a balance sheet audit of the financial position of

1 the District of Columbia as of September 30, 1977, as  
2 follows:

3 (1) identify assets, liabilities, accumulated surplus  
4 or deficit;

5 (2) exclude statements of revenues and expenses,  
6 changes in fund balances, and statements of changes  
7 in financial position for enterprise funds; and

8 (3) exclude property and equipment.

9 (b) The joint committee shall further cause to be under-  
10 taken, on behalf of the government of the District of Co-  
11 lumbia, an audit of the financial position and results of opera-  
12 tions for the fiscal year commencing October 1, 1977, and  
13 the next following fiscal year, as follows:

14 (1) identify assets, liabilities, accumulated surplus  
15 or deficit;

16 (2) include statements of revenues and expenses,  
17 changes in fund balances, and statements of changes in  
18 financial position for enterprise funds; and

19 (3) exclude only property and equipment (if  
20 necessary).

21 (c) For purposes of conducting such audits, the joint  
22 committee shall include, as a part of any contract entered  
23 into pursuant to section 2 (a) for the development of a finan-  
24 cial management system improvements plan, provisions re-  
25 quiring such audits to be carried out. Each such audit shall

1 be carried out in accordance with generally accepted audit-  
2 ing standards and the financial statements shall be prepared  
3 in accordance with generally accepted accounting principles.  
4 The results of each such audit shall be submitted to the Con-  
5 gress, the President, the Council of the District of Columbia,  
6 the Mayor of the District of Columbia, and the Comptroller  
7 General of the United States.

8 (d) Such contractor shall have full access to such books,  
9 individuals, accounts, financial records, reports, files, tax  
10 returns, and other papers, things, or property of the govern-  
11 ment of the District of Columbia as such contractor deems  
12 necessary to complete each such audit required by such  
13 contract.

14 SEC. 4. (a) For the fiscal year beginning October 1,  
15 1979, and each fiscal year thereafter, the government of the  
16 District of Columbia shall conduct, out of funds of the gov-  
17 ernment of the District of Columbia, an audit of the financial  
18 operations of such government. Each such audit shall be  
19 conducted by a certified public accountant licensed in the  
20 District of Columbia and carried out in accordance with gen-  
21 erally accepted auditing standards and the financial state-  
22 ments shall be prepared in accordance with generally accepted  
23 accounting principles.

24 (b) For the purpose of conducting an audit for each  
25 such fiscal year as required by subsection (a) of this section,

1 the Mayor of the District of Columbia shall, on or after  
2 January 2, 1979, select, subject to the advice and consent  
3 of the Council of the District of Columbia, a qualified per-  
4 son to conduct such audits for the fiscal year commencing  
5 October 1, 1979, and the next following three fiscal years.  
6 Thereafter, each individual elected as Mayor in a general  
7 election held for Mayor of the District of Columbia shall,  
8 on or after January 2 next following his or her election  
9 to, and the assuming of, the Office of Mayor, select,  
10 subject to the advice and consent of the Council of  
11 the District of Columbia, a qualified person to conduct  
12 such audits for the fiscal year commencing October 1  
13 of the calendar year in which such Mayor takes office,  
14 and the next following three fiscal years. If the Council fails.  
15 to act on any such selection within a ten-day period follow-  
16 ing the date on which it receives from the Mayor the name  
17 of such person so selected, the Mayor shall be authorized to  
18 enter into a contract with that person for the conduct of such  
19 audits. If any person so selected by the Mayor to conduct  
20 any such audits for such fiscal years is rejected by the Coun-  
21 cil, the Mayor shall submit to the Council the name of an-  
22 other qualified person selected by the Mayor to conduct such  
23 audits. In the event that the Council rejects the second  
24 person so selected by the Mayor, the Mayor shall, within  
25 thirty days following that rejection, notify the chairman of



1 the Committee on Appropriations of the Senate and  
2 the chairman of the Committee on Appropriations of  
3 the House of Representatives, in writing, of that fact. Within  
4 fifteen days following the receipt of that notice, such chairmen  
5 shall jointly select a person to conduct such audits and shall  
6 inform the Mayor, in writing, of the name of the person so  
7 selected. Within ten days following the receipt by the Mayor  
8 of such name, the Mayor shall enter into a contract with such  
9 person pursuant to which that person shall conduct such  
10 audits for such fiscal years as herein provided.

11 (c) The Mayor shall submit a copy of each such audit  
12 so conducted to the Congress, the President, the Council of  
13 the District of Columbia, the Mayor of the District of Co-  
14 lumbia, and the Comptroller General of the United States.

15 (d) (1) There is hereby established the Audit Control  
16 Commission of the District of Columbia (hereinafter referred  
17 to in this subsection as the "Commission"), which shall be  
18 composed of the following members:

19 (A) chairman of the Appropriations Committee of  
20 of the Senate, or his delegate;

21 (B) chairman of the Appropriations Committee of  
22 the House of Representatives, or his delegate;

23 (C) chairman of the Council of the District of  
24 Columbia;

## 12

1 (D) chairman of the Committee on the Budget of  
2 the Council of the District of Columbia; and

3 (E) chairman of the Committee on Finance and  
4 Revenue of the Council of the District of Columbia.

5 (2) Three members of the Commission shall constitute  
6 a quorum.

7 (3) A Chairman and Vice Chairman of the Commission  
8 shall be selected by a majority vote of the full Commission  
9 from among the members thereof. The Vice Chairman shall  
10 act in the place and stead of the Chairman in the absence of  
11 the Chairman.

12 (4) The first meeting of the Commission shall be called  
13 by the Chairman of the Council of the District of Columbia  
14 not later than October 1, 1979.

15 (5) Among the functions of the Commission shall be  
16 to—

17 (A) discuss with the auditing firm prior to the  
18 beginning of an audit—

19 (i) the scope of the audit,

20 (ii) the District's accounting principles, poli-  
21 cies, and practices,

22 (iii) recent developments in accounting prin-  
23 ciples or reporting practices that may affect the  
24 District, and

1 (iv) the status of suggestions and recomenda-  
2 tions developed as part of the last audit;

3 (B) discuss with the auditing firm after the com-  
4 pletion of each year's audit—

5 (i) the results of the audit,

6 (ii) overall evaluation of the financial state-  
7 ments, and

8 (iii) suggestions for improvements in account-  
9 ing, financial, and operating controls.

10 (6) The foregoing provisions of this subsection shall  
11 take effect upon the date of the execution by the Mayor of  
12 the District of Columbia of a contract for the conduct of  
13 such audits pursuant to the first sentence of subsection (b)  
14 of this section.

15 SEC. 5. (a) Notwithstanding any other provision of  
16 law, all costs and other expenses arising out of any contract  
17 entered into pursuant to this Act for the development of a  
18 plan referred to in section 2 of this Act, including all costs  
19 and other expenses in connection with the implementation  
20 of such plan, shall be an obligation of the District of Columbia.  
21 Any and all assistance provided by the Comptroller General  
22 in connection with the carrying out of this Act shall be on  
23 a reimbursable basis.

24 (b) Upon certification to him by the chairman of the

1 joint committee of any amount due and payable to any per-  
2 son on the basis of a contract entered into pursuant to section  
3 2 of this Act, or to the Comptroller General on the basis of  
4 assistance furnished by him pursuant to this Act, the Mayor  
5 shall pay such amount to that person or the Comptroller  
6 General in accordance with such certification.

7 (c) For the purpose of making payments under con-  
8 tracts entered into pursuant to section 2 of this Act (in-  
9 cluding audits carried out under section 3 of this Act), and  
10 for the purposes of subsection (b) of this section, there are  
11 authorized to be appropriated to the District of Columbia  
12 such sums, not to exceed in the aggregate \$20,000,000, as  
13 may be necessary.

14 SEC. 6. As used in this Act, the term—

15 (1) “person” means any individual, partnership,  
16 firm, corporation, or other entity; and

17 (2) “government of the District of Columbia” in-  
18 cludes the Mayor of the District of Columbia, the Coun-  
19 cil of the District of Columbia, and all agencies (as de-  
20 fined in paragraph (3) of section 3 of the District of  
21 Columbia Administrative Procedure Act (D.C. Code,  
22 sec. 1-1502 (3) ) ).



## 15

1        SEC. 7. Thirty days after notification by the Comp-  
2        troller General to the joint committee of the completion and  
3        implementation of all plans and designs and after final pay-  
4        ment of all contracts entered into pursuant to sections 2 and  
5        3 of this Act, the joint committee shall cease to exist.

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Calendar No. 956

94TH CONGRESS  
2D SESSION

# H. R. 11009

[Report No. 94-1015]

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IN THE SENATE OF THE UNITED STATES

MAY 25, 1976

Read twice and referred to the Committee on the District of Columbia

JUNE 29 (legislative day, JUNE 18), 1976

Reported by Mr. EAGLETON, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

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## AN ACT

To provide for an independent audit of the financial condition of the government of the District of Columbia.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*  
3        That (a) after consulting with the chairman and ranking  
4        minority member of the Committee on the District of Colum-  
5        bia of the House of Representatives, the chairman and rank-  
6        ing minority member of the Committee on the District of  
7        Columbia of the Senate, the chairman and ranking minority  
8        member of the Committee on Appropriations of the House  
9        of Representatives, the chairman and ranking minority mem-  
10      ber of the Committee on Appropriations of the Senate, and

1 the chairman of the Council of the District of Columbia  
2 about ~~(1)~~ the scope of one or more contracts for the design  
3 and implementation of financial planning, reporting, and con-  
4 trol systems for the government of the District of Columbia;  
5 ~~(2)~~ the selection of the contractor to perform each such con-  
6 tract, and ~~(3)~~ the schedule for completing each such con-  
7 tract, the Comptroller General of the United States shall  
8 enter into one or more such contracts.

9       ~~(b)~~ Each contract entered into pursuant to subsection  
10 ~~(a)~~ shall set forth the scope of the work to be performed and  
11 a schedule of completion dates for each portion of such work.

12       ~~(c)~~ Each contractor shall have full access to such books,  
13 persons, accounts, financial records, reports, files, and other  
14 papers, things, or property of the government of the District  
15 of Columbia as such contractor deems necessary to complete  
16 such contracts.

17       ~~(d)~~ At least once during each calendar quarter after  
18 establishment of the schedule for completing each contract  
19 and until the completion of such contract, each contractor  
20 shall report to the Congress, the President, the Council of the  
21 District of Columbia, and the Comptroller General of the  
22 United States on the progress toward completion of such  
23 contract.

24       ~~(e)~~ Upon completion of each contract for the design of  
25 any financial planning, reporting, or control system of the



1 government of the District of Columbia; the contractor shall  
2 submit to the Congress, the President, the Council of the Dis-  
3 trict of Columbia, the Mayor of the District of Columbia, and  
4 the Comptroller General of the United States, a report con-  
5 taining recommendations for (1) such changes, within the  
6 scope of such contract, in the financial planning, reporting,  
7 and control systems of the government of the District of  
8 Columbia as such contractor determines should be made  
9 before an audit can be conducted in accordance with generally  
10 accepted auditing standards in order to render an opinion that  
11 the financial statements of the funds and account groups of the  
12 government of the District of Columbia present fairly the  
13 financial position of such funds and account groups and the  
14 results of operations of such funds and the changes in finan-  
15 cial position of such funds, in conformity with generally  
16 accepted accounting principles; and (2) a schedule for im-  
17 plementing the recommended changes, including the amount  
18 of time and the number of District of Columbia personnel re-  
19 quired to complete the implementation of such changes.

20 (f) The Mayor of the District of Columbia, with the  
21 assistance of one or more contractors chosen pursuant to  
22 subsection (a), shall implement the changes recommended  
23 pursuant to subsection (c) in accordance with the schedule  
24 recommended for implementing such changes. Within three  
25 months after submission to the Mayor of the District of

1 Columbia of each report required by subsection (c); and at  
2 least once each calendar quarter thereafter until each change  
3 recommended in such report is implemented; each contractor  
4 shall report, within the scope of his contract, to the Congress,  
5 the President, the Council of the District of Columbia, and  
6 the Comptroller General of the United States, on the status  
7 of the implementation of the changes recommended pursuant  
8 to subsection (c) in accordance with the schedule recom-  
9 mended for implementing such changes. Each contractor  
10 shall make such other reports as may be requested by the  
11 Congress, the President, the Council of the District of Co-  
12 lumbia, or the Comptroller General of the United States.

13       SEC. 2. Within six months after the first day of the  
14 first full fiscal year after the Mayor of the District of Colum-  
15 bia has completed implementation of the recommendations  
16 made pursuant to subsection (c) of the first section of this  
17 Act, the Council of the District of Columbia shall provide for  
18 and allocate funds for an audit for such first full fiscal year  
19 in accordance with generally accepted auditing standards to  
20 be carried out by an independent certified public accountant,  
21 who shall conduct such tests of the accounting records of the  
22 government of the District of Columbia and such other audit  
23 ing procedures as he deems necessary, in order to render an  
24 opinion that the financial statements of the funds and account  
25 groups of the government of the District of Columbia for

1 such first full fiscal year present fairly the financial position  
2 of such funds and account groups and the results of opera-  
3 tions of such funds and the changes in financial position of  
4 such funds, in conformity with generally accepted accounting  
5 principles. At least once every three years thereafter, the  
6 Council of the District of Columbia shall provide for and  
7 allocate funds for an audit in accordance with generally ac-  
8 cepted auditing standards to be carried out by an independent  
9 certified public accountant, who shall conduct such tests of  
10 the accounting records of the government of the District of  
11 Columbia and such other auditing procedures as he deems  
12 necessary, in order to render an opinion that the financial  
13 statements of the funds and account groups of the govern-  
14 ment of the District of Columbia present fairly the financial  
15 position of such funds and account groups and the results  
16 of operations of such funds and the changes in financial posi-  
17 tion of such funds, in conformity with generally accepted  
18 accounting principles applied on a basis consistent with that  
19 of the immediately preceding audit required by this section.  
20 The results of each such audit shall be submitted to the Con-  
21 gress, the President, the Council of the District of Columbia,  
22 the Mayor of the District of Columbia, and the Comptroller  
23 General of the United States.

24       Sec. 2. (a) For each of the fiscal years ending Septem-  
25 ber 30, 1977, September 30, 1978, and September 30, 1979,

1 there is authorized to be appropriated to the Comptroller  
2 General of the United States \$750,000 to make payments  
3 under contracts entered into pursuant to subsection (a) of  
4 the first section of this Act. Sums appropriated under this  
5 section are authorized to remain available until expended.

6 (b) The Comptroller General may enter into such con-  
7 tracts only to the extent and in such amounts as are provided  
8 in appropriation Acts.

9 (c)(1) No funds appropriated under subsection (a)-  
10 may be used for any payment under any such contract in  
11 an amount greater than 50 per centum of the total amount  
12 of such payment.

13 (2) The Council of the District of Columbia shall make  
14 available to the Comptroller General of the United States  
15 such sums as the Comptroller General certifies to the Coun-  
16 cil are necessary in order that the District of Columbia pro-  
17 vides an amount, with respect to each payment under each  
18 such contract, equal to the amount of Federal funds for  
19 such payment.

20 SEC. 4. For purposes of this Act, the term "government  
21 of the District of Columbia" includes the Mayor of the Dis-  
22 trict of Columbia, the Council of the District of Columbia,  
23 and all agencies (as defined in paragraph (3) of section 3  
24 of the District of Columbia Administrative Procedure Act  
25 (D.C. Code, sec. 1-1502(3)) of the government of the  
26 District of Columbia.



1 *That there is hereby established the Temporary Joint Com-*  
2 *mittee on Financial Oversight of the District of Columbia*  
3 *(hereinafter referred to as the "joint committee").*

4 *(b) The joint committee shall consist of four members*  
5 *as follows:*

6 *(1) the chairman of the Committee on the District*  
7 *of Columbia of the Senate;*

8 *(2) the chairman of the Committee on the District*  
9 *of Columbia of the House of Representatives;*

10 *(3) the chairman of the Committee on Appropria-*  
11 *tions of the Senate, or his delegate; and*

12 *(4) the chairman of the Committee on Appropria-*  
13 *tions of the House of Representatives, or his delegate.*

14 *(c) Three members of the joint committee shall con-*  
15 *stitute a quorum.*

16 *(d) A chairman and vice chairman of the joint com-*  
17 *mittee shall be selected by a majority vote of the full joint*  
18 *committee from among the members thereof. The vice chair-*  
19 *man shall act in the place and stead of the chairman in the*  
20 *absence of the chairman.*

21 *(e) The first meeting of the joint committee shall be*  
22 *called by the majority leader of the Senate and the Speaker*  
23 *of the House of Representatives, jointly.*

24 *(f) The joint committee is authorized, with the ap-*  
25 *proval of the chairman thereof, to utilize the personnel of*

1 *the Committee on the District of Columbia of the Senate,*  
2 *the Committee on the District of Columbia of the House of*  
3 *Representatives, the Committee on Appropriations of the*  
4 *Senate and the Committee on Appropriations of the House*  
5 *of Representatives.*

6       *SEC. 2. (a) For the purpose of meeting the responsi-*  
7 *bilities imposed by the Constitution on the Congress with*  
8 *respect to the District of Columbia, it shall be the function*  
9 *of the joint committee, after consultation with the Comp-*  
10 *troller General, the Mayor of the District of Columbia, and*  
11 *the Chairman of the Council of the District of Columbia,*  
12 *to select such qualified persons as the joint committee may*  
13 *determine necessary for the development of certain plans on*  
14 *behalf of the government of the District of Columbia (in-*  
15 *cluding assisting in the implementation thereof) for the*  
16 *purpose of improving the financial planning, reporting, and*  
17 *control systems of such government. Such plans, among others,*  
18 *to be considered for development and implementation are as*  
19 *follows: plans for immediate improvement in financial con-*  
20 *trol and reporting; assessing the scope of further necessary*  
21 *improvements; financial management system improvements;*  
22 *personnel-payroll system improvements; water-sewage bill-*  
23 *ing and information system improvements; purchasing and*  
24 *material management system improvements; property ac-*  
25 *counting system improvements; real property system improve-*

1   ments; welfare payments system improvements; human re-  
2   sources eligibility, payment, and reporting system improve-  
3   ments; health care financial system improvements; and traffic  
4   ticket system control improvements.

5       (b) Each contract entered into with a person pursuant  
6   to subsection (c) of this section for the development of a  
7   system improvements plan shall contain a provision requir-  
8   ing that person to include within such plan procedures for  
9   the establishment of an ongoing training program for oper-  
10   ating personnel of the government of the District of Colum-  
11   bia whose duties involve matters covered by such plan or  
12   part thereof in order to provide training for such personnel  
13   in connection with the operation of such system.

14       (c) Upon the selection by the joint committee of each  
15   qualified person to develop and implement a plan pursuant  
16   to this section, the chairman of the joint committee shall  
17   enter into a contract or contracts with that person for the  
18   development and implementation of such plan.

19       (d)(1) Each such contract so entered into shall set  
20   forth the scope of the work to be performed, amounts to  
21   be paid thereunder, and a schedule of reporting and com-  
22   pletion dates, including a schedule of implementation dates,  
23   for each portion of such work. Each contractor shall have  
24   full access to such books, individuals, accounts, financial  
25   records, reports, files, and other papers, things, or property

1 of the government of the District of Columbia as such con-  
2 tractor deems necessary to complete such contract. The  
3 Comptroller General shall have full access to all documents  
4 produced under each contract in order to facilitate his review  
5 and approval.

6 (2) At least once during each one-hundred-and-  
7 eighty-day period after establishment of the schedule for  
8 completing each such contract and until the completion of  
9 such contract, each contractor shall report to the joint com-  
10 mittee, the Council of the District of Columbia, and the  
11 Mayor of the District of Columbia on the progress toward  
12 completion of such contract.

13 (e)(1) With respect to any such contract or part  
14 thereof involving the design (including a preliminary de-  
15 sign) of a system referred to in subsection (a) of this sec-  
16 tion, the contractor, upon the completion of the plan or part  
17 relating to such design (including procedures for its im-  
18 plementation), shall submit such plan or part, together with  
19 a schedule for its implementation, to the Comptroller General  
20 of the United States for his consideration.

21 (2) With respect to any such contract involving work  
22 other than the design and implementation of such a system,  
23 the contractor, upon the completion of the plan or part  
24 thereof relating to such work (including its implementa-  
25 tion), shall submit such plan or part thereof, together with



1 a schedule for implementing such plan or part, to the Comp-  
2 troller General of the United States for his consideration.

3 (3) Notwithstanding the foregoing provisions of para-  
4 graphs (1) and (2) of this subsection, no such plan, part,  
5 or schedule shall be submitted to the Comptroller General  
6 for his consideration unless such plan, part, or schedule has  
7 first been submitted to the lead contractor responsible for  
8 the development and implementation of a financial manage-  
9 ment system improvements plan pursuant to subsection (a)  
10 (1) of this section for such contractor's review, comments,  
11 and recommendations. A copy of such comments and rec-  
12 ommendations, if any, shall be submitted, together with such  
13 plan, part, or schedule, to the Comptroller General in ac-  
14 cordance with paragraphs (1) and (2) of this subsection.

15 (4) Within the sixty-day period following the date of  
16 the receipt by him of such plan or part thereof, and after  
17 consultation with the Mayor of the District of Columbia,  
18 the Council of the District of Columbia, and the joint com-  
19 mittee, the Comptroller General shall be authorized to ap-  
20 prove, disapprove, or modify such plan or part (including  
21 any schedule for the implementation thereof), in whole or in  
22 part. On or before the expiration of such sixty-day period,  
23 the Comptroller General, if he approves or modifies such  
24 plan or part in whole or in part, shall submit such plan or  
25 part, as so approved or modified, to the Congress for its in-

1 formation. In any case in which the Comptroller General dis-  
2 approves any such plan or part, in whole or in part, the  
3 Comptroller General shall, within such sixty-day period;  
4 submit such plan or part so disapproved to the Congress for  
5 its information, together with his reasons for such disap-  
6 proval.

7 (f) Each such plan or part thereof so approved or  
8 modified by the Comptroller General shall be deemed to be  
9 a part of the financial planning, reporting, accounting, con-  
10 trol, and operating procedures of the government of the Dis-  
11 trict of Columbia. No plan or part thereof disapproved by  
12 the Comptroller General shall take effect.

13 (g) With respect to any such plan or part so deemed  
14 to be a part of the financial planning, reporting, accounting,  
15 control, and operating procedures of the government of the  
16 District of Columbia, the Mayor of the District of Columbia,  
17 with the assistance of the contractor responsible for such plan  
18 or part, shall implement such plan or part for the govern-  
19 ment of the District of Columbia in accordance therewith.  
20 The Comptroller General shall monitor such implementation  
21 and report as he deems appropriate to the joint committee.

22 SEC. 3: (a) (1) For the purpose of meeting the oversight  
23 responsibilities imposed by the Constitution on the Congress  
24 with respect to the District of Columbia, the joint com-  
25 mittee is authorized in accordance with the provisions of

1 paragraph (2) of this subsection to cause to be undertaken,  
2 on behalf of the government of the District of Columbia,  
3 by a certified public accountant licensed in the District of  
4 Columbia, a balance sheet audit of the financial position of  
5 the District of Columbia as of September 30, 1977. Such  
6 audit may—

7 (A) include an identification of assets, liabilities,  
8 accumulated surplus or deficit; and

9 (B) exclude statements of revenues and expenses,  
10 changes in fund balances, statements of changes in fi-  
11 nancial position for enterprise funds, and property and  
12 equipment.

13 (2) The balance sheet audit authorized by paragraph (1)  
14 of this subsection shall cover the financial position of the  
15 District of Columbia as of September 30, 1977, unless the  
16 joint committee, on or before August 1, 1977, is notified by  
17 the Comptroller General to the effect that such an audit as of  
18 that date is not practicable, in which case the joint commit-  
19 tee is authorized to cause to be undertaken a balance sheet  
20 audit of the financial position of the District of Columbia as  
21 of such date as the Comptroller General shall recommend to  
22 the joint committee.

23 (b) The joint committee is further authorized to cause to  
24 be undertaken, on behalf of the government of the District of  
25 Columbia, by a certified public accountant licensed in the

1 *District of Columbia, an audit or audits of the financial*  
2 *position and results of operations of the District of Columbia*  
3 *for each fiscal year or years next following September 30,*  
4 *1977, or the date recommended by the Comptroller General*  
5 *for the conduct of a balance sheet audit pursuant to para-*  
6 *graph (1) of this subsection, whichever last occurs, and*  
7 *which precede the fiscal year commencing October 1, 1979.*

8       (c) *Upon the selection by the joint committee of each*  
9 *qualified person to conduct an audit pursuant to this section,*  
10 *the chairman of the joint committee shall enter into a contract*  
11 *with that person for that purpose. Each such audit shall be*  
12 *carried out in accordance with generally accepted auditing*  
13 *standards and the financial statements shall be prepared in*  
14 *accordance with generally accepted accounting principles.*  
15 *The results of each such audit shall be submitted to the Con-*  
16 *gress, the President, the Council of the District of Columbia,*  
17 *the Mayor of the District of Columbia, and the Comptroller*  
18 *General of the United States.*

19       (d) *Such contractor shall have full access to such books,*  
20 *individuals, accounts, financial records, reports, files, tax*  
21 *returns, and other papers, things, or property of the govern-*  
22 *ment of the District of Columbia as such contractor deems*  
23 *necessary to complete each such audit required by such*  
24 *contract.*



1        *SEC. 4. (a) For the fiscal year beginning October 1,*  
2        *1979, and each fiscal year thereafter, the government of the*  
3        *District of Columbia shall conduct, out of funds of the gov-*  
4        *ernment of the District of Columbia, an audit of the financial*  
5        *operations of such government. Each such audit shall be*  
6        *conducted by a certified public accountant licensed in the*  
7        *District of Columbia and carried out in accordance with gen-*  
8        *erally accepted auditing standards and the financial state-*  
9        *ments shall be prepared in accordance with generally accepted*  
10       *accounting principles.*

11       *(b) For the purpose of conducting an audit for each*  
12       *such fiscal year as required by subsection (a) of this section,*  
13       *the Mayor of the District of Columbia shall, on or after*  
14       *January 2, 1979, select, subject to the advice and consent*  
15       *of the Council of the District of Columbia, a qualified per-*  
16       *son to conduct such audits for the fiscal year commencing*  
17       *October 1, 1979, and the next following three fiscal years.*  
18       *Thereafter, each individual elected as Mayor in a general*  
19       *election held for Mayor of the District of Columbia shall,*  
20       *on or after January 2 next following his or her election*  
21       *to, and the assuming of, the Office of Mayor, select, subject*  
22       *to the advice and consent of the Council of the District of*  
23       *Columbia, a qualified person to conduct such audits for the*  
24       *fiscal year commencing October 1 of the calendar year in*

1 which such Mayor takes office, and the next following three  
2 fiscal years. The person previously selected for a four-year  
3 period shall not succeed himself. If the Council fails to act  
4 on any such selection within a thirty-day period following  
5 the date on which it receives from the Mayor the name of  
6 such person so selected, the Mayor shall be authorized to enter  
7 into a contract with that person for the conduct of such  
8 audits. If any person so selected by the Mayor to conduct any  
9 such audits for such fiscal years is rejected by the Council,  
10 the Mayor shall submit to the Council the name of another  
11 qualified person selected by the Mayor to conduct such audits.  
12 In the event that the Council rejects the second person so  
13 selected by the Mayor, the Mayor shall, within thirty days  
14 following that rejection, notify the chairman of the Committee  
15 on Appropriations of the Senate and the chairman of the  
16 Committee on Appropriations of the House of Representa-  
17 tives, in writing, of that fact. Within fifteen days following  
18 the receipt of that notice, such chairmen shall jointly select  
19 a person to conduct such audits and shall inform the Mayor,  
20 in writing, of the name of the person so selected. Within ten  
21 days following the receipt by the Mayor of such name, the  
22 Mayor shall enter into a contract with such person pursuant  
23 to which that person shall conduct such audits for such  
24 fiscal years as herein provided.

25 (c) The Mayor shall submit a copy of each such audit

1 so conducted to the Congress, the President, the Council of  
2 the District of Columbia, the Mayor of the District of Co-  
3 lumbia, and the Comptroller General of the United States.

4 (d)(1) There is hereby established the Audit Control  
5 Commission of the District of Columbia (hereinafter referred  
6 to in this subsection as the "Commission"), which shall be  
7 composed of the following members:

8 (A) chairman of the Appropriations Committee of  
9 the Senate, or his delegate;

10 (B) chairman of the Appropriations Committee of  
11 the House of Representatives, or his delegate;

12 (C) chairman of the Council of the District of  
13 Columbia;

14 (D) chairman of the Committee on the Budget of  
15 the Council of the District of Columbia; and

16 (E) chairman of the Committee on Finance and  
17 Revenue of the Council of the District of Columbia.

18 (2) Three members of the Commission shall constitute  
19 a quorum.

20 (3) A Chairman and Vice Chairman of the Commission  
21 shall be selected by a majority vote of the full Commission  
22 from among the members thereof. The Vice Chairman shall  
23 act in the place and stead of the Chairman in the absence of  
24 the Chairman.

1       (4) *The first meeting of the Commission shall be called*  
2 *by the Chairman of the Council of the District of Columbia*  
3 *not later than October 1, 1979.*

4       (5) *Among the functions of the Commission shall be*  
5 *to—*

6           (A) *discuss with the auditing firm prior to the*  
7 *beginning of an audit—*

8               (i) *the scope of the audit,*

9               (ii) *the District's accounting principles, poli-*  
10 *cies, and practices,*

11               (iii) *recent developments in accounting prin-*  
12 *ciples or reporting practices that may affect the*  
13 *District, and*

14               (iv) *the status of suggestions and recommenda-*  
15 *tions developed as part of the last audit;*

16           (B) *discuss with the auditing firm after the com-*  
17 *pletion of each year's audit—*

18               (i) *the results of the audit,*

19               (ii) *overall evaluation of the financial state-*  
20 *ments, and*

21               (iii) *suggestions for improvements in account-*  
22 *ing, financial, and operating controls.*

23       (6) *The foregoing provisions of this subsection shall*  
24 *take effect upon the date of the execution by the Mayor of*  
25 *the District of Columbia of a contract for the conduct of*



1 such audits pursuant to the first sentence of subsection (b)  
2 of this section.

3       *SEC. 5. (a) Notwithstanding any other provision of*  
4 *law, all costs and other expenses arising out of any contract*  
5 *entered into pursuant to this Act for the development of a*  
6 *plan referred to in section 2 of this Act, including all costs*  
7 *and other expenses in connection with the implementation*  
8 *of such plan, shall be an obligation of the District of Columbia*  
9 *to be paid out of funds authorized by subsection (c) of this*  
10 *section. Any and all assistance provided by the Comptroller*  
11 *General in connection with the carrying out of this Act shall*  
12 *be on a reimbursable basis.*

13       *(b) Upon certification to him by the chairman of the*  
14 *joint committee of any amount due and payable to any per-*  
15 *son on the basis of a contract entered into pursuant to section*  
16 *2 or 3 of this Act, or to the Comptroller General on the basis*  
17 *of assistance furnished by him pursuant to this Act, the Mayor*  
18 *shall pay such amount to that person or the Comptroller*  
19 *General in accordance with such certification.*

20       *(c) For the purpose of making payments under con-*  
21 *tracts entered into pursuant to section 2 or 3 of this Act (in-*  
22 *cluding audits carried out under section 3 of this Act), and*  
23 *for the purposes of subsection (b) of this section, there are*  
24 *authorized to be appropriated to the District of Columbia*

1 such sums, not to exceed in the aggregate \$20,000,000, as  
2 may be necessary.

3 *SEC. 6. As used in this Act, the term—*

4 (1) “person” means any individual, partnership,  
5 firm, corporation, or other entity; and

6 (2) “government of the District of Columbia” in-  
7 cludes the Mayor of the District of Columbia, the Coun-  
8 cil of the District of Columbia, and all agencies (as de-  
9 fined in paragraph (3) of section 3 of the District of  
10 Columbia Administrative Procedure Act (D.C. Code,  
11 sec. 1-1502(3))).

12 *SEC. 7. Thirty days after notification by the Comp-*  
13 *troller General to the joint committee of the completion and*  
14 *implementation of all plans and designs and after final pay-*  
15 *ment of all contracts entered into pursuant to sections 2 and*  
16 *3 of this Act, the joint committee shall cease to exist.*

Passed the House of Representatives May 24, 1976.

Attest: EDMUND L. HENSHAW, JR.,  
Clerk.

## FINANCIAL PLANNING, REPORTING AND CONTROL SYSTEMS FOR THE GOVERNMENT OF THE DISTRICT OF COLUMBIA

JUNE 29 (legislation day, JUNE 18), 1976.—Ordered to be printed

MR. EAGLETON, from the Committee on the District of Columbia, submitted the following

### REPORT

[To accompany H.R. 11009]

The Committee on the District of Columbia, to which was referred the bill (H.R. 11009) having considered the same, reports favorably thereon with an amendment in the nature of a substitute, and recommends that the bill as amended do pass.

The purpose of H.R. 11009, as amended, is to provide for a financial systems analysis, design, and implementation for the Government of the District of Columbia to insure that the financial statements of the Government of the District of Columbia accurately reflect the financial condition of the District of Columbia, and in order that an independent audit of the financial condition of the District of Columbia can be conducted with meaningful results.

### BACKGROUND

As a result of the state and local government fiscal crises of 1975-76, many governments have had to re-examine their financial structures, their economic base, and their ability to meet the increasing economic demands which are being placed on them. The need for sound financial reporting in the public sector has become increasingly apparent, both as warning device and management tool. Washington, D.C., is no exception to this pattern. It is unique in one respect, however: As the nation's capital, it has been under the control of Congress, and therefore the responsibility of Congress. There was thus an urgent need for Congressional action.

On February 24, 1976, the Committee on the District of Columbia entered into a contract with the public accounting firm of Arthur Andersen & Co. to perform a survey of the accounting and financial

management practices of the District of Columbia government. Andersen submitted its report to the Committee on June 19, 1976. It listed a series of problems, many of them previously disclosed, which Andersen concluded make "[a]n audit of the District \* \* \* not practicable at this time." The firm also noted that the "lack of reliable financial information results from weaknesses in financial controls which have evolved over a long period of time."

The Andersen report describes a number of improvements which must be made in the area of financial controls and reporting if the District is to receive an unqualified opinion on an annual independent audit. It is necessary to redirect the current effort to replace existing systems, and to train District personnel in the new systems which may be installed. As these systems are being developed, immediate improvements must be made in the present accounting system to provide as much information as possible on the financial situation of the District of Columbia.

To enable such work to be carried out, the Chairman and Ranking Minority Member of the Committee and the Chairman of the D.C. Appropriations Subcommittee introduced S. 3608 on June 23, 1976.

#### NEED FOR LEGISLATION

The Constitution requires that Congress maintain an oversight function with respect to the District of Columbia. While the city is substantially self-governing, the Federal Government does contribute sizeable amounts of support in recognition of the special demands placed on the Nation's Capital. Hence the Congress must ensure that the elected District Government is able to make efficient use of the available resources to meet the needs of its citizens and those of the Federal Government within its boundaries.

Historically, the District has used the federal system of accounting and financial controls. This was completely appropriate prior to home rule. The Andersen report, however, indicated a number of changes in the financial systems that would have to be made in order to meet the requirements of a municipality, requirements which did not exist when the District was treated as an arm of the Federal Government. These changes should have been implemented prior to the granting of home rule, but the need was not foreseen at that time.

This legislation is intended to assure the continued viability of the District of Columbia, enhance the independence of the elected Government in the District, and minimize the future requirements for federal support. These are important goals, and are entirely consistent with Congressional oversight requirements.

The Andersen report noted deficiencies in a number of areas. Inadequacies in billing procedures, records of accounts receivable and grant accounting reduce the revenues which are collected by the District Government from various sources. Deficiencies in payroll control, purchasing and material management, and welfare payment accounting can lead to expenditures in excess of those actually required. Improvements in these areas would be useful in closing the projected gap between income and spending.

Efficiencies in the operation of government can be realized, thus reducing cost and increasing productivity. For example, the provision of timely financial information to District management, and the



elimination of duplicate or wasteful systems, would permit fewer employees to be even more responsive to changing needs.

Finally, the provision of accurate financial reports to the public can have beneficial effects. Such information, especially if attested to by an independent public accountant, would undoubtedly improve investor confidence in District securities. The District will have to go to the municipal bond market to finance capital improvements, and the improvements to be wrought through this legislation could substantially increase demand and reduce borrowing costs.

It should also be pointed out that such information would permit Congress to exercise more effectively its oversight function. The Committees on Appropriations could have greater confidence in the budget data presented to them, and the Committees on the District of Columbia would be in a better position to evaluate District requests for additional sources and amounts of funding.

The General Accounting Office, which by law has a key role in monitoring the financial operations of the District, has repeatedly stated the need for improvements in the District's bookkeeping and reporting practices. The Comptroller General of the United States has expressed his support for this legislation.

Many of these potential cost-benefit improvements are specified later in this report.

#### DESCRIPTION OF THE LEGISLATION

The legislation reported to the Senate is designed to facilitate the upgrading of the financial management and reporting system of the District of Columbia. H.R. 11009, as amended by the Committee, would provide both a method for Congressional oversight of the development of new systems and financing with federal funds, since the Committee believes that this work should have been done prior to the granting of home rule.

In order that this modernization program be properly implemented, it is the view of the Committee that experts from outside the government should be retained to design the needed new systems. This view is shared by the consultants to the Committee (Arthur Andersen & Co.) and by the Comptroller General.

Especially important in such a program is the training of the operational personnel who will be called upon to operate such new systems as are installed. The legislation therefore requires consultation with the District during the design phase and training of District employees during the installation of new systems, thus placing an obligation on any contractor not only to install a system but also to ensure its proper use. The Mayor and the Council of the District of Columbia would of course be kept informed of the progress of all such work.

It is expected that the design and implementation of the new systems will take three to four years. For this period, a joint Congressional committee will be created, composed of the chairmen of the Senate and House District Committees and the chairmen or their designees of the Senate and House Appropriations Committees.

It is our hope that the chairmen of the Appropriations Committees will designate the chairmen of the subcommittees on the District of

Columbia (if such a committee continues to exist) as his delegate on such joint committee. The joint committee in consultation with the Mayor, Chairman of the D.C. Council and with the advice and technical assistance of the Comptroller General and his staff will determine how best to proceed to update the financial reporting system of the District of Columbia.

It is the Committee's hope that the Andersen report will form a basis for the discussion of how to proceed and that, as in the Andersen report, the job will be subdivided into a number of contracts so that various of the certified public accounting firms which might be used by the District to conduct the annual audit will gain experience in working with the District Government. It is also hoped that local and minority firms will be able to take part in this process, not only as subcontractors, but also as a prime contractor on at least one of the contracts.

Although the legislation provides for substantially all of the work that is thought at this time to be necessary, that is not meant to imply that all of the projects are to be undertaken simultaneously. Rather, it is expected that the joint committee, relying heavily on the expertise of the Comptroller General and his staff, will seek to establish interim goals to be achieved, awarding additional contracts only upon successful completion of earlier steps. In his report of February 27, 1976, the Comptroller General suggested a sequence of tasks that may be an appropriate method of pacing the work to be done:

1. Design, in conformity with generally accepted accounting principles, financial statements which will present fairly the financial position and results of operations of the respective District Government funds.

2. Identify the financial information needed by the Congressional committees with responsibilities for the District government, the City Council, and the Mayor and his staff.

3. With the assistance of District Government personnel, identify all financial information needed by each District agency. A special effort should be made to identify the information needed by the heads of the agencies and their staffs, intermediate level managers, and the managers of major programs and functions, because little attention has been given to their needs in the past.

4. Prepare formats of the reports that must be produced to satisfy the identified needs for financial information and obtain verification from the intended recipients that the reports will be adequate. In performing this task, the report formats prepared for FMIS should be used to the extent possible.

5. Identify the most logical source for each item of financial information on the formats of the financial statements and reports.

6. Group the identified sources of information into a logical structure of accounting systems, establish the boundaries for each system, prepare a description of each system, and identify the interfaces between systems.

7. Evaluate the work that has been performed on FMIS and incorporate as much as possible into the new structure of systems.

8. Design as many of the new systems as possible during the remainder of the 2-year period, starting with those most vital to producing the information needed to prepare financial statements and reports to the Congress, City Council, and Mayor.



9. After the designs have been approved by our office, the contractor should help the District Government implement the systems, train District Government personnel to operate the systems, and prepare an accounting manual for each system. The requirements of the District of Columbia to meet ongoing needs must not be ignored while new systems are being designed and installed.

While the chairman of the joint committee will be the official responsible for signing the contracts, it is expected that the actual work of supervising the contracts and their implementation will fall upon the Comptroller General and his staff. This is not only because he ultimately will be responsible for approving any system changes, but also because he is the Congressional advisor on accounting and financial systems. Of course, prior to the implementation of any system, the approval of the Comptroller General will be required.

The bill further indicates that a balance sheet audit and as many as two complete audits will be conducted under contracts entered into by the joint committee. The Committee hopes that a limited balance sheet audit of the books and records of the District of Columbia can be undertaken for Fiscal Year 1977, and that fairly complete audits can be performed at the close of Fiscal 1978 and Fiscal 1979. As it is conceivable that unforeseen events would make any or all of such audits either impossible or prohibitively expensive, the Comptroller General is empowered to specify what auditing requirements are to be met for Fiscal Years 1977, 1978, and 1979. The joint committee should determine the desirability of having the firm, which is awarded the contract to create and implement the financial management information system, do these audits. Such firm will by the nature of the work be the lead firm charged with the responsibility of harmonizing the work of other firms. However, we would expect that the joint committee will award the other major components of the system to different firms.

When the Mayor, who is elected in November, 1978, assumes office, it will be his responsibility with the advice and consent of the Council to select an auditing firm which will conduct an annual audit for each of the four succeeding years. At the end of that period, a new firm will be selected, and the firm which had the previous contract may not succeed itself. If a firm were to resign or be replaced for cause during the four-year period, a new firm could be chosen to continue the contract. That successor firm, it is expected would be allowed to bid for a full contract period.

The bill also creates an audit commission, modeled after audit committees which have been created in many large corporations which would be composed of the Chairman or his designee of the Senate and House and Senate Appropriations Committee, the Chairman of the D.C. Council, and the Chairmen of the Council Committees on Budget and on Finance and Revenue. It is expected that, as in the private sector, it is to this commission that the auditors will report. And if there should be any problems that the auditors are unable to resolve with the executive, it would be to this commission which ultimately holds the purse strings of the District that the auditors would turn. Of course, at the time that the District takes over the choice of selecting the auditor, it will also take over the obligation of paying for such work.

The Committee believes that a maximum of \$20,000,000 will be required for the systems improvement work and up to three annual audits. Such amounts would be authorized to be appropriated to the District, in addition to all other payments, for the compensation of the contractors retained by the joint committee.

#### HISTORY OF H.R. 11009

Hearings on H.R. 11009, as it passed the House of Representatives, and S. 3608, the text of which was substituted as the Committee amendment, were held on June 28, 1976. The Comptroller General of the United States, the Mayor of the District of Columbia, the Chairman of the City Council and representatives of various private groups all testified in favor of legislation which would improve the financial reporting and management capabilities of the District of Columbia.

The Committee unanimously approved reporting H.R. 11009 with the text of S. 3608 substituted on June 29, 1976.

#### COST ESTIMATES, PURSUANT TO SECTION 252(a) OF THE LEGISLATIVE REORGANIZATION ACT OF 1970

Pursuant to Section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91-510), the Committee estimates the cost that would be incurred in carrying out this legislation is as follows:

For the fiscal year 1977 .....	\$5, 000, 000
For the fiscal year 1978 .....	10, 000, 000
For the fiscal year 1979 .....	5, 000, 000

#### SUMMARY OF POTENTIAL SAVINGS IF THE ANDERSEN REPORT RECOMMENDATIONS ARE FOLLOWED

Andersen report			
Volume No.	Page	Description of problem	Possible savings
I	11	Possible loss of water/sewer billings and cash	Thousands if not several millions. <sup>1</sup>
VI	20	flow from interest on money.	
I	12)		
VI	26-29)	Loss of solid waste and special services revenue ..	Several millions. <sup>1</sup>
I	12	Neighborhood health clinics lacks billing and	Several hundred thousands, possibly mil-
IV	10	collection efforts.	lions. <sup>1</sup>
I	13	3d-party reimbursements for medicare, medicaid,	Probably several million. <sup>1</sup>
		and insurance programs are inadequate.	
I	13	Hospital receivables for delinquent accounts are	\$10,000,000 to \$20,000,000 (plus medicaid
IV	11	over \$100,000,000.	reimbursements <sup>1</sup> ).
I	14	Grant programs can be overspent causing claim	Several millions. <sup>1</sup>
III	117, 171	disallowances or advances can be underspent	
		resulting in refund.	
I	15	Inaccurate accumulation of cost being incurred for	Do.
III	118	grants are resulting in disallowance of reim-	
		bursement.	
I	17	Erroneous public assistance payments could be	Hundreds of thousands. <sup>1</sup>
IV	20	reduced by improved information systems.	
I	18	Loss of interest due to inability to properly plan	Do.
IV	45	and use cash float.	
I	24	Poor internal controls over payroll system result-	Unknown, probably hundreds of thousands. <sup>1</sup>
II	92	ing in potential fraud.	
III	79, 80		
I	25	High operating cost of present payroll system.....	Thousands. <sup>1</sup>
II	67, 71	Duplicate parallel financial systems at major	Hundreds of thousands. <sup>1</sup>
IV	40	agencies.	
V	13		
II	71, 85	Budgetary controls are inadequate which allows	Several thousands. <sup>1</sup>
III	166	authorized spending levels to be overspent.	
IV	46	Numerous activities are still performed manually	Several millions. <sup>1</sup>
	47	requiring substantial clerical effort. Some of	
		these include—	

See footnote at end of table.



## SUMMARY OF POTENTIAL SAVINGS IF THE ANDERSEN REPORT RECOMMENDATIONS ARE FOLLOWED—Con.

Andersen report			
Volume No.	Page	Description of problem	Possible savings
II	84	Budget preparation.	
	100	Annual and sick leave balances.	
	111	Various tax revenue systems.	
	120	Vendor invoice processing.	
	139, 140	Procurement.	
II	119	The disbursement system is cumbersome and	Thousands. <sup>1</sup>
III	144	redundant and substantially manual.	
II	109, 112	Tax revenues from income and business taxes (i.e. sales and use) could be increased.	Several millions. <sup>1</sup>
	114	Collection of tax receivables could be improved.	Hundreds of thousands. <sup>1</sup>
	128	Cash management improvements could generate less interest expense or greater interest income.	Several millions. <sup>1</sup>
II	141	Proper inventory planning and control could reduce current and future investment levels.	Millions. <sup>1</sup>
III	198-200		
VI	32	Depreciation accounting computations could increase revenues.	Possibly millions. <sup>1</sup>
	148	Improved controls for intragovernmental services could reduce cost.	Thousands. <sup>1</sup>
	156	Using a service bureau for motor fleet management instead of in-house resources.	\$50,000. <sup>1</sup>
	160-169	Improved central management of ADP efforts, equipment and organization.	Several millions. <sup>1</sup>
VII	12, 13	RLA and NCHA billings are not controlled.	Thousands. <sup>1</sup>

<sup>1</sup> Represents estimated annual possible savings for a minimum of 5 subsequent years.

## SECTION-BY-SECTION ANALYSIS

The first section of the bill establishes a Temporary Joint Committee on Financial Oversight of the District of Columbia. The joint committee will consist of four members, the respective Chairmen of the Committees on the District of Columbia and the Committees on Appropriations of the Senate and the House of Representatives. The joint committee will be authorized, with the approval of the appropriate chairman thereof, to utilize employees of such Committees in carrying out its functions.

*Section 2*

Section 2(a) of the bill imposes on the joint committee the function to select such qualified persons as the joint committee determines necessary for the development and implementation of certain plans on behalf of the government of the District of Columbia for the purpose of improving the financial planning, reporting, and control systems of such government. The joint committee is required to consult with the Comptroller General, the Mayor, and the Chairman of the Council of the District of Columbia prior to selecting such persons.

Subsection (b) of section 2 requires each such contract for the development and implementation of a system improvements plan to contain a provision requiring the contractor to include within such plan procedures for the establishment of an ongoing training program for operating personnel of the government of the District of Columbia whose duties involve matters covered by such plan in order to provide training for such personnel in connection with the operation of such system.

Subsection (c) of section 2 provides that, after selection by the joint committee of each qualified person to develop and implement any such plan, the chairman of the joint committee shall enter into a

contract with that person for the development and implementation of such plan.

Subsection (d) (1) of section 2 sets forth certain provisions which are required to be included within each such contract, including, among others, scope of work to be performed and schedules for reporting, and completion and implementation dates.

Subsection (d) (2) of section 2 requires periodic reports by the contractor to the joint committee and the city concerning progress toward completion of such contract.

Subsection (e) (1) of section 2 requires the contractor, upon completion of any such plan or part thereof relating to the design of any such system to submit such plan or part to the Comptroller General for his consideration.

Subsection (e) (2) of section 2 requires the contractor, upon the completion of any such plan or part thereof relating to work other than design of such a system to submit such plan or part to the Comptroller General for his consideration.

Subsection (e)(3) of section 2 requires each contractor, prior to submitting any such plan or part to the Comptroller General, to submit such plan or part to the lead contractor (the contractor having responsibility for the development and implementation of a financial management system improvements plan pursuant to section 2(a) of the bill) for his review, comments, and recommendations in order to coordinate such plans. A copy of such comments and recommendations shall be made available to the Comptroller General.

Subsection (e)(4) of section 2 authorizes the Comptroller General, within the sixty-day period following the receipt by him of any such plan or part, to approve, disapprove, or modify any such plan or part thereof, in whole or in part, after he has first consulted with the Mayor, the Council of the District of Columbia, and the joint committee. Any such plan or part approved or modified by the Comptroller General shall be submitted by him, as so approved or modified, to the Congress for its information. With respect to any such plan or part which the Comptroller General disapproves, the Comptroller General is required to submit such plan or part so disapproved to the Congress for its information, together with his reasons for such disapproval.

Subsection (f) of section 2 deems each such plan or part so approved or modified by the Comptroller General to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia as so approved or modified. No plan or part disapproved by the Comptroller General shall take effect.

Subsection (g) of section 2 requires the District Government, with the assistance of the appropriate contractor, to implement such plan or part so approved or modified in accordance therewith. The Comptroller General has the responsibility of monitoring such implementation and reporting to the joint committee.

### *Section 3*

Subsection (a) of section 3 requires the joint committee to undertake if the Comptroller General advises that such work is feasible, by means of a certified public accountant licensed in the District of Columbia, a balance sheet audit of the financial position of the

District of Columbia as of September 30, 1977, and prescribes the manner in which such audit is to be carried out.

Subsection (b) of section 3 requires the joint committee to undertake if the Comptroller General advises that such work is feasible, by the same means as provided under subsection (a) of section 3, an audit of the financial position and results of operations for Fiscal Years commencing October 1, 1977, and October 1, 1978, and prescribes the manner in which such audits are to be carried out.

Subsection (c) of section 3 provides that such audits are to be carried out in accordance with generally accepted auditing standards and the financial statements are to be prepared in accordance with generally accepted accounting principles. The results of such audits are to be submitted to the Congress, the President, the Council, the Mayor, and the Comptroller General.

Subsection (d) of section 3 gives each contractor access to books, accounts, records, etc., of the government of the District of Columbia.

#### *Section 4*

Subsection (a) of section 4 requires the government of the District of Columbia, commencing with the fiscal year beginning October 1, 1979, and each fiscal year thereafter, to conduct, out of funds of the government of the District of Columbia, an audit of the financial operations of the government of the District of Columbia. Such audits are required to be conducted by a certified public accountant licensed in the District of Columbia and carried out in accordance with generally accepted auditing standards and the financial statements prepared in accordance with generally accepted accounting principles.

Subsection (b) of section 4 requires such audits under subsection (a) of section 4 to be carried out by a qualified person selected by the Mayor, subject to the advice and consent of the Council. Each person so selected shall conduct audits for each of four fiscal years. The person selected for one four-year period shall not succeed himself. The Council shall have 30 days within which to act on any such selection. If the Council rejects any such person so selected, the Mayor is required to submit a second selection. If such second selection is rejected by the Council, the Chairman of the Committee on Appropriations of the House of Representatives shall, jointly, select a qualified person to conduct such audits. If the Council fails, within the prescribed time, to act on any such person so selected by the Mayor and submitted to the Council, the Mayor is authorized to enter into a contract with that person providing for the conduct of such audits.

Subsection (c) of section 4 requires the Mayor to submit copies of each such audit so conducted to the Congress, the President, the Council, the Mayor, and the Comptroller General.

Subsection (d) of section 4 establishes an Audit Control Commission of the District of Columbia to be comprised of the Chairman of the Appropriations Committee of the Senate or his designee, the Chairman of the Appropriations Committee of the House of Representatives or his designee, the Chairman of the Council of the District of Columbia, the Chairman of the Committee on the Budget of the Council of the District of Columbia, and the Chairman of the Committee on Finance and Revenue of the Council of the District of Columbia. The functions of the Commission shall be to discuss with the auditing firm prior to



the beginning of an audit, the scope of the audit, the District's accounting principles, policies, and practices, recent developments in accounting principles or reporting practices that may affect the District, and other relevant matters. The Commission is further required to discuss with the auditing firm after the completion of each year's audit, the results of the audit, and other relevant matters. The Commission shall come into existence on the date of the execution by the Mayor of a contract for the conduct of such audits pursuant to the first sentence of subsection (b) of section 4.

#### *Section 5*

Subsection (a) of section 5 provides that all costs and expenses arising out of any contract entered into pursuant to the bill for the development of a systems improvement plan (including its implementation) referred to in section 2 of the bill shall be an obligation of the District of Columbia to be paid out of federal appropriations authorized in subsection (c).

Such subsection further provides that any and all assistance provided by the Comptroller General in connection with the carrying out of this Act shall be on a reimbursable basis.

Subsection (b) of section 5 provides that, upon certification by the Chairman of the joint committee to the Mayor of any amounts due and payable to any person on the basis of a contract entered into pursuant to section 2 of this Act, or to the Comptroller General on the basis of assistance furnished by him pursuant to this Act, that the Mayor shall pay such amount to that person or to the Comptroller General in accordance with such certification.

Subsection (c) of section 5 authorizes appropriations for making payments under contracts entered into by the chairman of the joint committee pursuant to section 2 of the bill, including audits contracted for by the joint committee pursuant to section 3 of the bill, and for making payments to the Comptroller General by way of reimbursement to him for costs which he incurs in providing assistance under the bill. The amount authorized to be appropriated is such sum as may be necessary, but not to exceed \$20,000,000.

#### *Section 6*

Section 6 defines "person" as any individual, partnership, firm, corporation, or other entity, and defines "government of the District of Columbia" to include the Mayor of the District of Columbia, the Council of the District of Columbia, and all agencies (as defined in paragraph (3) of section 3 of the District of Columbia Administrative Procedures Act (D.C. Code, sec. 1-1502 (3), (4), and (5)).

#### *Section 7*

Section 7 provides for the termination of the joint committee thirty days after notification by the Comptroller General to the joint committee of the completion and implementation of all plans and designs and after final payment of all contracts entered into pursuant to section 2 and 3 of the bill.



[From the Congressional Record, July 1, 1976]

### CONSIDERATION OF H.R. 11009

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Senate Resolution 481.

The PRESIDING OFFICER. The clerk will report the resolution. The legislative clerk read as follows:

#### S. RES. 481

*Resolved*, That pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such Act are waived with respect to the consideration of H.R. 11009. Such waiver is necessary because information regarding the cost of updating the financial reporting systems of the District of Columbia did not become available until June 19, 1976, and therefore was not available at the time of the adoption of the Budget Resolution. The fiscal year 1977 cost of this legislation will be \$5 million.

The PRESIDING OFFICER. The question is on agreeing to the resolution. The resolution was agreed to.

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### FINANCIAL PLANNING, REPORTING AND CONTROL SYSTEMS FOR THE GOVERNMENT OF THE DISTRICT OF COLUMBIA

The Senate proceeded to consider the bill (H.R. 11009) to provide for an independent audit of the financial condition of the Government of the District of Columbia, which had been reported from the Committee on the District of Columbia with an amendment to strike out all after the enacting clause and insert the following:

That there is hereby established the Temporary Joint Committee on Financial Oversight of the District of Columbia (hereinafter referred to as the "joint committee").

(b) The joint committee shall consist of four members as follows:

(1) the chairman of the Committee on the District of Columbia of the Senate;

(2) the chairman of the Committee on the District of Columbia of the House of Representatives;

(3) the chairman of the Committee on Appropriations of the Senate, or his delegate; and

(4) the chairman of the Committee on Appropriations of the House of Representatives, or his delegate.

(c) Three members of the joint committee shall constitute a quorum.

(d) A chairman and vice chairman of the joint committee shall be selected by a majority vote of the full joint committee from among the members thereof. The vice chairman shall act in the place and stead of the chairman in the absence of the chairman.

(e) The first meeting of the joint committee shall be called by the majority leader of the Senate and the Speaker of the House of Representatives, jointly.

(f) The joint committee is authorized, with the approval of the chairman thereof, to utilize the personnel of the Committee on the District of Columbia of the Senate, the Committee on the District of Columbia of the House of Representatives, the Committee on Appropriations of the Senate and the Committee on Appropriations of the House of Representatives.

SEC. 2. (a) For the purpose of meeting the responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, it shall be the function of the joint committee, after consultation with the Comptroller General, the Mayor of the District of Columbia, and the Chairman of the Council of the District of Columbia, to select such qualified persons as the joint committee may determine necessary for the development of certain plans on behalf of the government of the District of Columbia (including assisting in the implementation thereof) for the purpose of improving the financial planning, reporting, and control systems of such government. Such plans, among others, to be considered for development and implementation are as follows: plans for immediate improvement in financial control and reporting; assessing the scope of further necessary improvements; financial management systems improvements; personnel-payroll system improvements; water-sewage billing and information system improvements; purchasing and material management system improvements; property accounting system improvements; real property system improvements; welfare payments system improvements; human resources eligibility, payment, and reporting system improvements; health care financial system improvements; and traffic ticket system control improvements.

(b) Each contract entered into with a person pursuant to subsection (c) of this section for the development of a system improvements plan shall contain a provision requiring that person to include within such plan procedures for the establishment of an on-going training program for operating personnel of the government of the District of Columbia whose duties involve matters covered by such plan or part thereof in order to provide training for such personnel in connection with the operation of such system.

(c) Upon the selection by the joint committee of each qualified person to develop and implement a plan pursuant to this section, the chairman of the joint committee shall enter into a contract or contracts with that person for the development and implementation of such plan.

(d) (1) Each such contract so entered into shall set forth the scope of the work to be performed, amounts to be paid thereunder, and a schedule of reporting and completion dates, including a schedule of implementation dates; for each portion of such work. Each contractor shall have full access to such books, individuals, accounts, financial records, reports, files, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete such contract. The Comptroller General shall have full access to all documents produced under each contract in order to facilitate his review and approval.

(2) At least once during each one-hundred-and-eighty-day period after establishment of the schedule for completing each such contract and until the completion of such contract, each contractor shall report to the joint committee, the Council of the District of Columbia, and the Mayor of the District of Columbia on the progress toward completion of such contract.

(e) (1) With respect to any such contract or part thereof involving the design (including a preliminary design) of a system referred to in subsection (a) of this section the contractor, upon the completion of the plan or part relating to such design (including procedures for its implementation), shall submit such plan or part, together with a schedule for its implementation, to the Comptroller General of the United States for his consideration.

(2) With respect to any such contract involving work other than the design and implementation of such a system, the contractor, upon the completion of the plan or part thereof relating to such work (including its implementation), shall submit such plan or part thereof, together with a schedule for implementing such plan or part, to the Comptroller General of the United States for his consideration.

(3) Notwithstanding the foregoing provisions of paragraphs (1) and (2) of this subsection, no such plan, part, or schedule shall be submitted to the Comptroller General for his consideration unless such plan, part, or schedule has first been submitted to the lead contractor responsible for the development and implementation of a financial management system improvements plan pursuant to subsection (a) (1) of this section for such contractor's review, comments, and recommendations. A copy of such comments and recommendations, if any, shall be submitted, together with such plan, part, or schedule, to the Comptroller General in accordance with paragraphs (1) and (2) of this subsection.



(4) Within the sixty-day period following the date of the receipt by him of such plan or part thereof, and after consultation with the Mayor of the District of Columbia, the Council of the District of Columbia, and the joint committee, the Comptroller General shall be authorized to approve, disapprove, or modify such plan or part (including any schedule for the implementation thereof), in whole or in part. On or before the expiration of such sixty-day period, the Comptroller General, if he approves or modifies such plan or part in whole or in part, shall submit such plan or part, as so approved or modified, to the Congress for its information. In any case in which the Comptroller General disapproves any such plan or part, in whole or in part, the Comptroller General shall, within such sixty-day period, submit such plan or part so disapproved to the Congress for its information, together with his reason for such disapproval.

(f) Each such plan or part thereof so approved or modified by the Comptroller General shall be deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia. No plan or part thereof disapproved by the Comptroller General shall take effect.

(g) With respect to any such plan or part so deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia, the Mayor of the District of Columbia, with the assistance of the contractor responsible for such plan or part, shall implement such plan or part for the government of the District of Columbia in accordance therewith. The Comptroller General shall monitor such implementation and report as he deems appropriate to the joint committee.

SEC. 3. (a) (1) For the purpose of meeting the oversight responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, the joint committee is authorized in accordance with the provisions of paragraph (2) of this subsection to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, a balance sheet audit of the financial position of the District of Columbia as of September 30, 1977. Such audit may—

(A) include an identification of assets, liabilities, accumulated surplus of deficit; and

(B) exclude statements of revenues and expenses, changes in fund balances, statements of changes in financial position for enterprise funds, and property and equipment.

(2) The balance sheet audit authorized by paragraph (1) of this subsection shall cover the financial position of the District of Columbia as of September 30, 1977, unless the joint committee, on or before August 1, 1977, is notified by the Comptroller General to the effect that such an audit as of that date is not practicable, in which case the joint committee is authorized to cause to be undertaken a balance sheet audit of the financial position of the District of Columbia as of such date as the Comptroller General shall recommend to the joint committee.

(b) The joint committee is further authorized to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, an audit or audits of the financial position and results of operations of the District of Columbia for each fiscal year or years next following September 30, 1977 or the date recommended by the Comptroller General for the conduct of a balance sheet audit pursuant to paragraph (1) of this subsection, whichever last occurs, and which precede the fiscal year commencing October 1, 1979.

(c) Upon selection by the joint committee of each qualified section, the chairman of the joint committee shall enter into a contract with that person for that purpose. Each such audit shall be carried out in accordance with generally accepted auditing standards and the financial standards shall be prepared in accordance with generally accepted accounting principles. The results of each such audit shall be submitted to the Congress, the President, the Council of the District of Columbia, the Mayor of the District of Columbia, and the Comptroller General of the United States.

(d) Such contractor shall have full access to such books, individuals, accounts, financial records, reports, files, tax returns, and other papers, things or property of the government of the District of Columbia as such contractor deems necessary to complete each such audit required by such contract.

SEC. 4. (a) For the fiscal year beginning October 1, 1979, and each fiscal year thereafter, the government of the District of Columbia shall conduct, out of funds of the government of the District of Columbia, an audit of the financial operations of such government. Each such audit shall be conducted by a certified public accountant licensed in the District of Columbia and carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles.

(b) For the purpose of conducting an audit for each such fiscal year as required by subsection (a) of this section, the Mayor of the District of Columbia shall, on or after January 2, 1979, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1, 1979, and the next following three fiscal years. Thereafter, each individual elected as Mayor in a general election held for Mayor of the District of Columbia shall, on or after January 2 next following his or her election to, and the assuming of, the Office of Mayor, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1 of the calendar year in which such Mayor takes office, and the next following three fiscal years. The person previously selected for a four-year period shall not succeed himself. If the Council fails to act on any such selection within a thirty-day period following the date on which it receives from the Mayor the name of such person so selected, the Mayor shall be authorized to enter into a contract with that person for the conduct of such audits. If any person so selected by the Mayor to conduct any such audits for such fiscal years is rejected by the Council, the Mayor shall submit to the Council the name of another qualified person selected by the Mayor to conduct such audits. In the event that the Council rejects the second person so selected by the Mayor, the Mayor shall, within thirty days following that rejection, notify the chairman of the Committee on Appropriations of the Senate and the chairman of the Committee on Appropriations of the House of Representatives, in writing, of that fact. Within fifteen days following the receipt of that notice, such chairmen shall jointly select a person to conduct such audits and shall inform the Mayor, in writing, of the name of the person so selected. Within ten days following the receipt by the Mayor of such name, the Mayor shall enter into a contract with such person pursuant to which that person shall conduct such audits for such fiscal years as herein provided.

(c) The Mayor shall submit a copy of each such audit so conducted to the Congress, the President, the Council of the District of Columbia, the Mayor of the District of Columbia, and the Comptroller General of the United States.

(d) (1) There is hereby established the Audit Control Commission of the District of Columbia (hereinafter referred to in this subsection as the "Commission"), which shall be composed of the following members:

(A) chairman of the Appropriations Committee of the Senate, or his delegate;  
(B) chairman of the Appropriations Committee of the House of Representatives, or his delegate;

(C) chairman of the Council of the District of Columbia;

(D) chairman of the Committee on the Budget of the Council of the District of Columbia; and

(E) chairman of the Committee on Finance and Revenue of the Council of the District of Columbia.

(2) Three members of the Commission shall constitute a quorum.

(3) A Chairman and Vice Chairman of the Commission shall be selected by a majority vote of the full Commission from among the members thereof. The Vice Chairman shall act in the place and stead of the Chairman in the absence of the Chairman.

(4) The first meeting of the Commission shall be called by the Chairman of the Council of the District of Columbia not later than October 1, 1979.

(5) Among the functions of the Commission shall be to—

(A) discuss with the auditing firm prior to the beginning of an audit—

(i) the scope of the audit,

(ii) the District's accounting principles, policies, and practices,

(iii) recent developments in accounting principles or reporting practices that may affect the District, and

(iv) the status of suggestions and recommendations developed as part of the last audit;



- (B) discuss with the auditing firm after the completion of each year's audit—
- (i) the results of the audit,
  - (ii) overall evaluation of the financial statements, and
  - (iii) suggestions for improvements in accounting, financial, and operating controls.

(6) The foregoing provisions of this subsection shall take effect upon the date of the execution by the Mayor of the District of Columbia of a contract for the conduct of such audits pursuant to the first sentence of subsection (b) of this section.

SEC. 5. (a) Notwithstanding any other provision of law, all costs and other expenses arising out of any contract entered into pursuant to this Act for the development of a plan referred to in section 2 of this Act, including all costs and other expenses in connection with the implementation of such plan, shall be an obligation of the District of Columbia to be paid out of funds authorized by subsection (c) of this section. Any and all assistance provided by the Comptroller General in connection with the carrying out of this Act shall be on a reimbursable basis.

(b) Upon certification to him by the chairman of the joint committee of any amount due and payable to any person on the basis of a contract entered into pursuant to section 2 or 3 of this Act, or to the Comptroller General on the basis of assistance furnished by him pursuant to this Act, the Mayor shall pay such amount to that person or the Comptroller General in accordance with such certification.

(c) For the purpose of making payments under contracts entered into pursuant to section 2 or 3 of this Act (including audits carried out under section 3 of this Act), and for the purposes of subsection (b) of this section, there are authorized to be appropriated to the District of Columbia such sums, not to exceed in the aggregate \$20,000,000, as may be necessary.

SEC. 6. As used in this Act, the term—

(1) "person" means any individual, partnership, firm, corporation, or other entity; and

(2) "government of the District of Columbia" includes the Mayor of the District of Columbia, the Council of the District of Columbia, and all agencies (as defined in paragraph (3) of section 3 of the District of Columbia Administrative Procedure Act (D.C. Code, sec. 1-1502(3))).

SEC. 7. Thirty days after notification by the Comptroller General to the joint committee of the completion and implementation of all plans and designs and after final payment of all contracts entered into pursuant to sections 2 and 3 of this Act, the joint committee shall cease to exist.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time, and passed.



[From the Congressional Record, July 21, 1976]

## RECOMMENDATIONS FOR THE DISTRICT OF COLUMBIA

Mr. MATHIAS. Mr. President, on July 1, 1976, the Senate adopted H.R. 11009, a bill to provide for an independent audit of the financial condition of the government of the District of Columbia. Cities throughout the Nation are facing tremendous financial pressures and the experience of New York has emphasized the need for clear accounting information. By undertaking a thorough overhaul of the financial management system in the Nation's Capital, we can establish a model for good municipal accounting that can be followed by cities throughout the country.

In 1972 the Nelsen Commission completed an exhaustive study of the Organization of the District government. The report of the Nelsen Commission contains more than 400 recommendations on every aspect of local government. While some of these recommendations relate specifically to the unique characteristics of the District, many of the report's findings might be applied to other cities as well.

I think that our colleagues would find the specific recommendations of the Nelsen Commission on Financial Affairs of special interest. I have selected a few recommendations of the Nelsen Commission that relate most directly to the current problems of financial management and I ask unanimous consent that they be printed in the Record.

There being no objection, the recommendations were ordered to be printed in the Record, as follows:

### REPORT OF THE COMMISSION ON THE ORGANIZATION OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA

#### CHAPTER VI. FINANCIAL AFFAIRS

##### *A. Budgeting*

1. The Commission recommends that the District Government include long-term fiscal projections in the annual budget justifications to reflect the impact of capital projects on the operating budget, the impact of operating requirements on the need for future capital projects, financial commitments under approved retirement plans, and debt servicing for capital projects.

2. The Commission recommends that the Mayor-Commissioner direct the "mandatory" budget concept be minimized in all phases of the budget preparation, review and execution cycles, and that a policy of zero-base examination of budget requests be increasingly emphasized within agencies during preparation of the budget, and in the Central Budget Office during the review of agency budgets.

3. The Commission recommends that the Mayor-Commissioner, concurrent with the development and installation of an improved citywide accounting system, direct all District Government agencies to develop capability to produce work measurement and productivity statistics on a continuing basis as support for the budget justifications.

4. The Commission recommends that the District Government retain the current practice of financing capital projects through Treasury borrowings but that continuing and serious consideration be given to the relative merits of various other proposals for financing capital projects.



5. The Commission recommends that the revenue section of the annual budget justification assess the effect of debt servicing requirements for capital projects now under way, and assist in establishing priorities for projects in the planning stage by closely examining the ability of the District Government's revenue base to sustain the future debt service costs.

6. The Commission recommends that the Treasury Department establish interest rates for District Government borrowings at a level which will result in debt servicing costs generally comparable to those being paid by other cities, all factors being taken into consideration.

7. The Commission recommends that the Office of Management and Budget direct all Federal agencies or instrumentalities to process grant funds for any department or agency of the District Government through the District Government's Central Budget Office for centralized fund and allotment control.

8. The Commission recommends that the Mayor-Commissioner periodically report to the Congress the steps he has taken to implement his order of January 3, 1972 establishing an internal financial management improvement program consistent with Recommendation No. I-1 relating to implementing instructions and reporting procedures.

The Commission recommends Congress simultaneously consider certain steps it can take to assist the District Government in the financial management improvement program. One important step in this direction has already been taken by the Congress in enacting a multi-year Federal Payment authorization. Other suggested areas include (1) a clarification of the authorization process; (2) a relaxation of reprogramming authorities with appropriate reporting requirements and (3) the possibility of some form of joint hearings during the budget cycle.

9. The Commission recommends that the Congress clarify the authorization process as it applies to District Government appropriations by reconstituting the Appropriation Act as a combination Authorization/Appropriation Act containing specific control amounts and limitations, or by printing the control amounts and limitations in the Report of the Conferees on the Appropriation Act.

10. The Commission recommends that the Congress work toward establishing procedures for closer liaison between the four Congressional Committees concerned with District Government affairs, looking toward the undertaking, at least on a trial basis, of some form of joint Senate/House hearings to assist in simplifying the District Government's budget process. Joint hearings between the two House Committees approving substantive legislation and expenditure requests (House District Committee and House District Appropriations Subcommittee) and between the two similar Senate Committees is another approach that offers promise.

11. The Commission recommends that the Mayor-Commissioner by personal example and leadership, continue to instill a spirit of cost consciousness throughout the District Government with the goal of identifying demonstrated savings and achieving related budgetary reductions.

### *B. Accounting*

1. The Commission recommends that the Mayor-Commissioner take such administrative action as may be required to assure that the approved statement of the District Government Accounting Principles and Standards are fully implemented in the development of a revised, integrated accounting system.

2. The Commission recommends that the Mayor-Commissioner assign to a single individual (the Comptroller) responsibility for design, implementation, and operation of a comprehensive integrated accounting system to serve the needs of all levels of management.

3. The Commission recommends that the Mayor-Commissioner expedite the design and application of an integrated accounting system which will produce timely and reliable financial information at the operating level as well as the executive level and which will avoid the present duplication of effort. (The General Accounting Office has offered to cooperate during the preparation of a system design which will meet the requirements of that office.)

4. The Commission recommends that the Mayor-Commissioner assign to the Comptroller the responsibility for establishing accounting policy and communicating that policy to accounting personnel by the issuance of a currently maintained accounting manual.



5. The Commission recommends that the Mayor-Commissioner (1) issue an order to encourage the use of effective cost accounting techniques throughout the departments and agencies of the District Government, (2) direct the new Office of the Comptroller to publish criteria and guidelines to ensure the effective development and operation of cost accounting systems and (3) provide the Office of the Comptroller with a small but highly competent cost analysis staff to promote management use of cost information throughout the District Government, and to make special cost studies and analysis available to the Mayor-Commissioner and other officials.

6. The Commission recommends that the Mayor-Commissioner direct the Comptroller to (a) immediately develop and implement procedures for adequate maintenance of the real property accounts providing for the capitalization of roads, streets and bridges; (b) establish a project to determine the best way to inventory and capitalize all property, both real and personal, which is not currently reflected in the central accounts, and (c) assure that the integrated accounting system provides a positive inventory control for materials, supplies and equipment.

7. The Commission recommends that the Mayor-Commissioner take the necessary steps to develop and implement an effective reporting system which, in coordination with an integrated accounting system, will provide complete and timely financial information for operating management, for executive review and decision-making by the Mayor-Commissioner and his principal staff and line subordinates, and for the information of the public.

8. The Commission recommends that the Congress favorably consider pending legislation which would establish an open-ended authority for use of revolving funds for the District Government, amending it to (a) include criteria for establishing a monetary ceiling on capitalization of such funds, (b) provide for annual review of the fund operations to preclude excessive accumulation of profits, and (c) provide for submission of business type budgets to the Congress in accordance with the provisions of the Government Corporation Control Act, as amended, U.S. Code, sec. 81-481 et seq.

9. The Commission recommends that the Mayor-Commissioner, pending enactment of legislation, (a) develop a program and criteria for the most effective use of the new revolving fund authority and (b) plan for the accounting for such funds to become an integral part of the proposed new integrated accounting system. (See Recommendation No. VI-29.)

10. The Commission recommends that the Mayor-Commissioner, following enactment of enabling legislation, transfer both the D.C. Postage Account and the Share Computer Program operation to the new revolving fund, and that the accounting for this fund be accomplished in accordance with the new integrated accounting system.

The Commission recommends that the Mayor-Commissioner take immediate action to bring the Construction-Services Fund accounting under positive control to preclude the over-obligation of "in-house" services on approved capital outlay projects.

The Commission recommends that the Mayor-Commissioner take prompt action to formalize the establishment of mail room procedures to provide for positive control over all cash receipts and the separation of all cash receipts from personnel who have control over the bills and other related documents.

### *C. Expenditures, revenues, and federal payment*

1. The Commission recommends that the Mayor-Commissioner continue efforts to develop meaningful inter-community expenditure and revenue comparisons in conjunction with the Government Divisions, Bureau of the Census, and that the results of studies in this area be made available to the Federal Office of Management and Budget for their use in submitting recommendations concerning the level of the Federal Payment.

2. The Commission recommends that the Federal Payment should: be predictable; operate to encourage District efforts to raise more revenue; use the prior year authorization level as a base; operate to avoid wide fluctuations impacting adversely on the District's ability to plan and finance operations; and, to the extent possible, reflect the unusual costs to the District of its role as the Nation's Capital.

3. The Commission recommends that once the District is granted the authority, subject to Congressional veto, to set the rates for all existing taxes and charges, as recommended by the Commission, it should conform its overall revenue effort as closely as possible to that of comparable metropolitan centers, taking into consideration its relationship with its immediate environs.

4. The Commission recommends that the Congress continue to authorize the Federal Payment at least one fiscal year in advance.

5. The Commission recommends that the Office of Management and Budget specifically recommend and justify the amount of the authorization and appropriation for each Federal Payment. In determining such amount, the Office of Management and Budget should consider, among others, the factors bearing on the proposed Payment level as discussed on page 510, volume II.

#### *D. Users charges*

1. The Commission recommends that the Mayor-Commissioner issue an order which establishes basic policy, assigns responsibility, sets up a continuing program for the administration of user charges, throughout the District Government, and provides for periodic reviews and reports by the internal audit organization on the program's effectiveness. (A draft of a suggested directive has been provided the Mayor-Commissioner's staff.)

2. The Commission recommends that the Mayor-Commissioner (a) initiate immediately a comprehensive review of all charges and fees currently in effect to determine what revisions should be made, (b) make appropriate changes within his authority, and (c) where authority rests with either Congress or the District Council, make appropriate recommendations to those bodies.

## FINANCIAL PLANNING, REPORTING AND CONTROL SYSTEMS FOR THE GOVERNMENT OF THE DISTRICT OF COLUMBIA

AUGUST 3, 1976.—Ordered to be printed

Mr. DIGGS, from the committee of conference,  
submitted the following

### CONFERENCE REPORT

[To accompany H.R. 11009]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11009) to provide for an independent audit of the financial condition of the government of the District of Columbia, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*That there is hereby established the Temporary Commission on Financial Oversight of the District of Columbia (hereinafter referred to as the "commission").*

(b) *The commission shall consist of eight members as follows:*

(1) *three Members of the Senate appointed by the President of the Senate (or any designee of any such Member so appointed, which designee shall act for such Member in his stead);*

(2) *three Members of the House of Representatives appointed by the Speaker of the House of Representatives (or any designee of any such Member so appointed, which designee shall act for such Member in his stead);*

(3) *the Mayor of the District of Columbia (or any designee of the Mayor, which designee shall act for the Mayor in his stead);*

(4) *the Chairman of the Council of the District of Columbia (or any designee of the Chairman, which designee shall act for the Chairman in his stead).*

(c) *Five members of the commission shall constitute a quorum.*

(d) (1) *A chairman and vice chairman of the commission shall be selected by a majority vote of the full commission from among the*



members thereof. The vice chairman shall act in the place and stead of the chairman in the absence of the chairman.

(2) The commission is authorized to establish such operating procedures as it determines necessary to enable it to carry out its functions under this Act.

(e) The first meeting of the commission shall be called by the Majority Leader of the Senate and the Speaker of the House of Representatives, jointly.

(f) The commission is authorized to utilize the personnel of the government of the District of Columbia, with the approval of the Mayor, or the Chairman of the Council of the District of Columbia, as the case may be, and the Committee on the District of Columbia of the Senate, the Committee on the District of Columbia of the House of Representatives, the Committee on Appropriations of the Senate, or the Committee on Appropriations of the House of Representatives, with the approval of the Chairman of such Committee. The commission is authorized to utilize, on a reimbursable basis, the services and personnel of the General Accounting Office to assist the commission in carrying out its functions under this Act.

SEC. 2. (a) For the purpose of meeting the responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, it shall be the function of the commission, after consultation with the Comptroller General, to select such qualified persons as the commission may determine necessary for the development of certain plans on behalf of the government of the District of Columbia (including assistance in the implementation thereof) for the purpose of improving the financial planning, reporting, and control systems of such government. Plans to be considered for development and implementation pursuant to this Act shall include, among others, plans for the following: immediate improvement in financial control and reporting; assessing the scope of further necessary improvements; financial management system improvements; personnel-payroll system improvements; water-sewage billing and information system improvements; purchasing and material management system improvements; property accounting system improvements; real property system improvements; welfare payments system improvements; human resources eligibility, payment, and reporting system improvements; health care financial system improvements; and traffic ticket system control improvements.

(b) Each contract entered into with a person pursuant to subsection (c) of this section for the development of a system improvements plan shall contain a provision requiring that person to include within such plan procedures for the establishment of an ongoing training program for operating personnel of the government of the District of Columbia whose duties involve matters covered by such plan or part thereof in order to provide training for such personnel in connection with the operation of such system. Each such contract shall further contain provisions comparable to those provided by Standard Form 32, section 1-16.901-32 of title 41, Code of Federal Regulations.

(c) Upon the selection by the commission of each qualified person to develop and implement a plan pursuant to this section, the chairman of the commission shall enter into a negotiated fixed price contract or



## 3

contracts with that person for the development and implementation of such plan.

(d) (1) Each such contract so entered into shall set forth the scope of the work to be performed, amounts to be paid thereunder, and a schedule of reporting and completion dates, including a schedule of implementation dates, for each portion of such work. Each contractor shall have full access to such books, individuals, accounts, financial records, reports, files, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete such contract. The Comptroller General shall have full access to all documents produced under each contract.

(2) After establishment of the schedule for completing each such contract and until the completion of such contract, each contractor shall report, at such time as such contract shall provide, to the commission and the Comptroller General on the progress toward completion of such contract, except that each such contractor shall report at least once during the one-hundred-and-eighty-day period after establishment of such schedule for completion of such contract.

(e) (1) With respect to any such contract or part thereof involving the design (including a preliminary design) of a system referred to in subsection (a) of this section, the contractor, upon the completion of the plan or part relating to such design (including procedures for its implementation), shall submit such plan or part, together with a schedule for its implementation, to the Comptroller General.

(2) With respect to any such contract involving work other than the design of such a system, the contractor, upon the completion of the plan or part thereof relating to such work, shall submit such plan or part thereof, together with a schedule for implementing such plan or part, to the Comptroller General.

(3) Notwithstanding the foregoing provisions of paragraphs (1) and (2) of this subsection, in no case shall any contractor under this Act submit a plan, part, or schedule to the Comptroller General unless such plan, part, or schedule has first been submitted by that contractor to the contractor responsible for the development and implementation of a financial management system improvements plan for such contractor's review, comments, and recommendations. A copy of such comments and recommendations, if any, shall be submitted, together with such plan, part, or schedule, to the Comptroller General in accordance with paragraphs (1) and (2) of this subsection.

(4) Within the sixty-day period following the date of the receipt by him of such plan or part thereof, and after consultation with the commission, the Comptroller General shall approve, disapprove, or modify such plan or part (including any schedule for the implementation thereof), in whole or in part. On or before the expiration of such sixty-day period, the Comptroller General shall submit such plan or part, as so approved, modified, or disapproved to the Congress for its consideration, together with his reason for such modification or disapproval.

(f) (1) Each such plan or part thereof so approved by the Comptroller General without modification shall be deemed on the date of such approval, to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the

*District of Columbia. Each such plan or part thereof modified by the Comptroller General shall, upon the expiration of the forty-five-day period of continuous session of the Congress following the date on which such modified plan or part thereof is so submitted to the Congress, be deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia, unless within such forty-five-day period, the Congress adopts a concurrent resolution disapproving the action of the Comptroller General with respect to such modifications. In any case in which any such concurrent resolution is so adopted by the Congress, such plan or part thereof, as it existed immediately prior to any such modification, shall be deemed a part of such procedures as of the date of the adoption by Congress of such concurrent resolution. No such plan or part thereof disapproved by the Comptroller General shall take effect, unless, within such forty-five-day period following the date of its submission to the Congress, the Congress adopts a concurrent resolution disapproving the action of the Comptroller General in disapproving such plan or part thereof. If such action of the Comptroller General is so disapproved, such plan or part thereof shall be deemed a part of such procedures as of the date of the adoption by Congress of such concurrent resolution.*

*(2) For purposes of this section, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in computation of such forty-five-day period.*

*(g) With respect to any such plan or part so deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia under subsection (f) (1), the Mayor of the District of Columbia, with the assistance of the contractor responsible for such plan or part, shall implement such plan or part for the government of the District of Columbia in accordance therewith. The Comptroller General shall monitor such implementation and report as he deems appropriate to the commission.*

*SEC. 3. (a) (1) For the purpose of meeting the oversight responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, the Congress hereby authorizes the commission, in accordance with the provisions of paragraph (2) of this subsection, to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, a balance sheet audit of the financial position of the District of Columbia as of September 30, 1977. Such audit may—*

*(A) include an identification of assets, liabilities, accumulated surplus or deficit; and*

*(B) exclude statements of revenues and expenses, changes in fund balances, statements of changes in financial position for enterprise funds, and property and equipment.*

*(2) The balance sheet audit authorized by paragraph (1) of this subsection shall cover the financial position of the District of Columbia as of September 30, 1977, unless the commission, on or before*



August 1, 1977, is notified by the Comptroller General to the effect that such an audit as of that date is not practicable, in which case the commission is authorized to cause to be undertaken a balance sheet audit of the financial position of the District of Columbia as of such date as the Comptroller General shall recommend to the commission.

(b) The commission is further authorized to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, an audit or audits of the financial position and results of operations of the District of Columbia for each fiscal year or years next following September 30, 1977, or the date recommended by the Comptroller General for the conduct of a balance sheet audit pursuant to subsection (a) of this section, whichever last occurs, and which precede the fiscal year commencing October 1, 1979.

(c) Upon the selection by the commission of each qualified person to conduct an audit pursuant to this section, the chairman of the commission shall enter into a negotiated fixed price contract with that person for that purpose. Each such audit shall be carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles. The results of each such audit shall be submitted to the Congress, the President of the United States, the Council of the District of Columbia, the Mayor of the District of Columbia, and the Comptroller General.

(d) Such contractor shall have full access to such books, individuals, accounts, financial records, reports, files, tax returns, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete each such audit required by such contract.

SEC. 4. (a) For the fiscal year beginning October 1, 1979, and each fiscal year thereafter, the government of the District of Columbia shall conduct, out of funds of the government of the District of Columbia, an audit of the financial operations of such government. Each such audit shall be conducted by a certified public accountant licensed in the District of Columbia and carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles.

(b) For the purpose of conducting an audit for each such fiscal year as required by subsection (a) of this section, the Mayor of the District of Columbia shall, on or after January 2, 1979, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1, 1979, and the next following three fiscal years. Thereafter, each individual elected as Mayor in a general election held for Mayor of the District of Columbia shall, on or after January 2 next following his or her election to, and the assuming of, the Office of Mayor, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1 of the calendar year in which such Mayor takes office, and the next following three fiscal years. The person previously selected for a four-year period shall not succeed himself or herself. If the Council fails to act on any such selection within

a thirty-day period following the date on which it receives from the Mayor the name of such person so selected, the Mayor shall be authorized to enter into a contract with that person for the conduct of such audits. If any person so selected by the Mayor to conduct any such audits for such fiscal years is rejected by the Council, the Mayor shall submit to the Council the name of another qualified person selected by the Mayor to conduct such audits. In the event that the Council rejects the second person so selected by the Mayor, the Mayor shall, within thirty days following that rejection, notify the chairman of the Committee on Appropriations of the Senate and the chairman of the Committee on Appropriations of the House of Representatives, in writing, of that fact. Within fifteen days following the receipt of that notice, such chairmen shall jointly select a person to conduct such audits and shall inform the Mayor, in writing, of the name of the person so selected. Within ten days following the receipt by the Mayor of such name, the Mayor shall enter into a contract with such person pursuant to which that person shall conduct such audits for such fiscal years as herein provided.

(c) The Mayor shall submit a copy of the audit report with respect to each such audit so conducted to the Congress, the President of the United States, the Council of the District of Columbia, and the Comptroller General.

SEC. 5. (a) For the purpose of making payments under contracts entered into under sections 2 and 3 of this Act, for reimbursing the Comptroller General under subsection (f) of the first section of this Act, and for meeting other expenses incurred by the commission under this Act, there is authorized to be appropriated to the commission the sum of \$16,000,000, of which \$8,000,000 shall be from funds in the Treasury not otherwise appropriated, and \$8,000,000 shall be from funds in the Treasury to the credit of the District of Columbia. Sums appropriated pursuant to this section are authorized to remain available until expended.

(b) No funds appropriated pursuant to subsection (a) of this section out of funds in the Treasury to the credit of the District of Columbia may be used for any payment under any contract entered into pursuant to section 2 or 3 of this Act, for any payment as reimbursement to the General Accounting Office, or for expenses of the commission, in an amount greater than 50 per centum of the total amount of any such payment.

(c) The chairman of the commission may enter into contracts under sections 2 and 3 of this Act only to the extent and in such amounts as are provided in appropriation Acts.

SEC. 6. As used in this Act, the term—

(1) "person" means any individual, partnership, firm, corporation, or other entity; and

(2) "government of the District of Columbia" includes the Mayor of the District of Columbia, the Council of the District of Columbia, the courts of the District of Columbia, and all agencies (as defined in paragraph (3) of section 3 of the District of Columbia Administrative Procedure Act (D.C. Code, sec. 1-1502 (3))).

SEC. 7. Thirty days after notification by the Comptroller General to the commission of the completion and implementation of all plans



*and designs under this Act, or thirty days after final payment of all contracts entered into pursuant to sections 2 and 3 of this Act, whichever last occurs, the commission shall cease to exist.*

And the Senate agree to the same.

CHARLES C. DIGGS, Jr.,  
WALTER E. FAUNTROY,  
THOMAS M. REES,  
ROMAN L. MAZZOLI,  
JAMES R. MANN,  
HERBERT E. HARRIS II,  
DAN DANIEL,  
GILBERT GUDE,  
CHARLES W. WHALEN, Jr.,  
S. B. MCKINNEY,

*Managers on the Part of the House.*

THOMAS F. EAGLETON,  
DANIEL K. INOUE,  
ADLAI E. STEVENSON,  
JOHN GLENN,  
CHARLES MCC. MATHIAS, Jr.,  
DEWEY F. BARTLETT,  
JAKE GARN,

*Managers on the Part of the Senate.*



## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and Senate at the Conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11009) to provide for an independent audit of the financial condition of the government of the District of Columbia, submit the following joint statement to the House and Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report.

The Senate amendment struck out all the House bill after the enacting clause and inserted a substitute text.

The Committee of Conference has agreed to a substitute for both the House bill and the Senate amendment to the text of the bill. The Conference substitute conforms to the format of the Senate amendment. Except for clarifying, clerical, and conforming changes, the major differences are noted below.

### COMMISSION

The House bill and the Senate amendment differed in the provisions establishing the contracting authority for the design, development and implementation of financial planning, reporting and control systems for the District of Columbia in the following respects:

The House bill authorized the Comptroller General of the United States (after consultation with the Chairmen and ranking minority members of the Senate and House Committees on the District of Columbia and the Appropriations Committees, and the Chairman of the Council of the District of Columbia) to determine the scope of the work to be contracted, select the contractor to perform each contract, and determine the completion schedule.

The Senate amendment established a 4-member Joint Congressional Committee (called the Temporary Joint Committee on Financial Oversight of the District of Columbia) to consist of the Chairman of the Senate and House Committees on the District of Columbia, and of the Appropriations Committees, or the latter's delegates, and authorized the Committee (after consultation with the Comptroller General, the Mayor of the District of Columbia and the Chairman of the Council of the District of Columbia) to select one or more contractors to develop plans (and assist in the implementation thereof) in specific areas to improve the financial planning, reporting and control systems of the District of Columbia Government.

The Conference substitute establishes an eight-member Commission (called the Temporary Commission on Financial Oversight of the District of Columbia) to consist of three members of the House appointed by the Speaker of the House, three members of the Senate appointed by the President of the Senate, and the Mayor and the

Chairman of the Council of the District of Columbia. The Conference Committee stated its expectations that the Congressional appointees shall be the Chairmen of the Senate and House Committees on the District of Columbia and Chairmen of the Senate and House District of Columbia Appropriations Subcommittees, and one ranking minority Member from either the District of Columbia Committee or the Appropriations Subcommittee on the District of Columbia of each House. Each Member of the Commission is authorized to name a designee to act in his absence.

The Conference substitute (Section 1) conforms to the Senate amendment regarding the selection and functions of a Chairman and Vice Chairman of the Commission. The Conference substitute authorizes the Commission to establish its own procedures for carrying out its duties and to utilize the personnel responsible to the Members of the Commission with that Member's consent.

The House bill designated the Comptroller General as the actual contracting officer. The Conference substitute conforms to the Senate amendment in designating the Chairman of the Commission as the person to sign all contracts authorized by the Commission.

#### SCOPE OF CONTRACTS

(1) Both the House bill and the Senate amendment provided for contracts to be entered into for plans for improving the financial planning, reporting, and control systems for the Government of the District of Columbia.

The House bill authorized the Comptroller General to determine the scope of the contracts. The Senate amendment authorized the Joint Committee to negotiate the scope of each contract, the amounts to be paid, and the schedule for completion and implementation. The Senate amendment also itemized certain plans, among others, to be considered for development and implementation and imposed a requirement on all contractors to establish an ongoing training program for operating personnel of the District of Columbia, whose duties involve matters covered by the system improvement plans developed by the contractor.

The Conference substitute (Section 2) conforms to the Senate amendment. The Conference substitute provides for negotiated fixed price contracts. The Conference Committee agreed that there shall be periodic reports by the contractors on their expenses to date, their estimate of additional costs which may be incurred, and their estimate of total cost of the job.

It is the Conference Committee's belief that while a fixed cost contract is most desirable, the Commission should be given some leeway in determining contract details, since price is one factor to be considered. To permit the effective control of the contractor cost associated with systems improvement work, the Commission should have the authority to cancel contracts at any time. The liability for payment to the contractor is limited to the charges for work actually performed, even though the amount allocated for the work may be higher.

It is the intent of the Conference Committee that any contract entered into as provided herein shall be executed by the Chairman of the Commission and not by any person designated by him.



(2) The House bill required the contractor to make progress reports at least once each quarter to the Congress, the President, the District of Columbia Council and the Comptroller General.

The Senate amendment required each contractor to make progress reports at least once every 180 days until the termination of the contract to the Joint Committee and the Mayor and Council of the District of Columbia.

The Conference substitute (Section 2) conforms to the Senate amendment and requires the contractor to make progress reports according to the terms of the contract but requires such reports at least once during the 180-day period after the establishment of the schedule for completion of the contract.

(3) The House bill required contractors, upon completing each contract, to report to the Congress, the President, the Mayor and Council of the District of Columbia (1) his recommendations for changes in the financial planning, reporting, and control systems of the District of Columbia Government deemed necessary before an audit could be conducted and (2) his schedule for implementation of such changes by the District of Columbia employees (Sec. 1).

The Senate amendment required the contractors to submit their plans and schedule for implementation to the Comptroller General for his consideration.

The Conference substitute conforms to the Senate amendment and (Section 2(e)) requires (1) the contractor to submit to the Comptroller General his plans, together with procedures for implementing same, with respect to any contract involving the design of a systems improvement plan, or other work, upon completion of such plan or part thereof; and (2) prior to such submission to the Comptroller General, the contractor shall submit such plan, part or schedule to the contractor responsible for the development and implementation of a financial management system improvements plan for his review; his comments and recommendations thereon shall thereafter be submitted to the Comptroller General along with such plan, part or schedule of the contractor as per (1) above.

#### ROLE OF COMPTROLLER GENERAL AND CONGRESS

The Senate amendment authorized the Comptroller General (after consultation with the Mayor and Council of the District of Columbia) to approve, disapprove or modify plans within 60 days of receipt. Plans and parts of plans so approved shall be submitted to the Congress for its information within the 60-day period. Plans disapproved by the Comptroller General were also to be submitted to Congress within the same time period together with reasons for the disapproval. The Senate amendment provided that approved plans and parts thereof were to be deemed part of the District of Columbia's systems. Plans disapproved were not to take effect.

The House bill contained no such provisions.

The Conference substitute generally conforms to the Senate amendment by authorizing the Comptroller General (after consultation with the Commission) to approve, disapprove, or modify plans within 60 days of receipt (including a schedule of implementation). The same requirements for reporting to Congress are imposed within the same 60 days.

Each plan or part thereof modified by the Comptroller General shall not become effective until receipt by Congress and the expiration of a 45-day period when the Congress is in continuous session, and provided that during such time, the Congress does not adopt a concurrent resolution disapproving the action of the Comptroller General. If such disapproval resolution is adopted, then the plan or part, as it existed prior to modification, becomes effective.

Any plan disapproved by the Comptroller General is also subject to the 45-day lay-over referred to, and the disapproval becomes final if no concurrent resolution of disapproval is adopted by the Congress. If, however, a resolution is adopted disapproving the Comptroller General's action, then such plan or part thereof is effective immediately.

The Comptroller General is directed to monitor and report on the implementation of plans.

#### ROLE OF THE DISTRICT GOVERNMENT

The House bill provided that: (1) the Mayor, assisted by the contractors, should implement the changes in the District's financial planning, reporting, and control systems, as recommended by the contractors, and make quarterly reports on the status thereof to the Congress, the President, the District of Columbia Council and the Comptroller General; (2) the Council would contract for an audit by an independent certified public accountant upon completion of the implementation of the changes, and once every three years thereafter; and the results of the audits to be submitted to the Congress, the President, the Mayor and Council of the District of Columbia, and the Comptroller General; (3) the District Government would provide each contractor full access to its books and necessary records.

The Senate amendment provided that: (1) the Mayor implement plans as approved by the Comptroller General; (2) the District Government undertake and finance annual audits for the fiscal year commencing October 1, 1979; (3) the District Government shall provide each contractor full access to its books and records, and the GAO access to all documents produced under each contract.

The conference substitute (Section 2(g)) generally conforms to the Senate amendment in that it provides that the Mayor, assisted by the contractor responsible for such plan or part, shall implement same for the District Government; and the Comptroller General shall monitor same, and, as he deems appropriate, report to the Commission.

The District Government is required to provide full access to its books and records, and the Comptroller General such access to all documents produced under each contract.

The initial audits (Section 3) are to be by contractor selected and paid for by the Commission.

Audits of the District's financial operations for the fiscal year beginning October 1, 1979 and thereafter are to be conducted by an auditor selected by the Mayor with the advice and consent of the Council of the District of Columbia, and paid for by the District of Columbia Government (Section 4).

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## AUDITS

The Senate amendment authorized the Joint Committee: (1) to contract with a Certified Public Accountant for a balance sheet audit of the District's financial position as of September 30, 1977, or such other date as the Comptroller General recommends; (2) to contract with a Certified Public Accountant for audit of the District's financial position and results of operations for fiscal years commencing October 1, 1977 and October 1, 1978; and (3) to submit the results of such audits to the Congress, the President, the Mayor and Council of the District of Columbia and the Comptroller General. The Senate amendment also provided that the Mayor, with advice and consent of the Council, should, after January 2, 1979, select an auditor to serve for 4 years and conduct the annual audits beginning with the fiscal year commencing October 1, 1979. A new auditor was to be selected every four years. If the Mayor and the Council failed to agree, the selection was to be made by the Chairmen of the Senate and House Committees on Appropriations.

The House bill provided that the Council of the District of Columbia authorize funds for an audit within six months after the first day of the first full fiscal year after the Mayor had implemented the plans and recommendations of the contractors. The House bill provided for an audit every three years thereafter.

The Conference substitute (Section 3) conforms to the Senate amendment and authorizes the Commission to contract for such audits as are authorized in the Senate amendment language referred to above. The Conference substitute also conforms to the Senate amendment regarding the annual audit by the District Government.

## AUDIT CONTROL COMMISSION

The Senate amendment established (Section 4(d)) a 5-member Audit Control Commission to whom auditing firms would report prior to beginning an audit, as to the scope thereof, and, after completion of the audit as to the results thereof.

Neither the House bill nor the Conference substitute contains such provision.

## COSTS

The House bill required the District of Columbia to pay 50 percent of the costs of the financial systems improvement contracts and authorized the appropriation of no more than \$750,000 in any one year, and no more than \$2.25 million over 3 years, as the Federal share of the costs. Also, the District would pay the costs of the audits required by the Act.

The Senate amendment authorized a Federal payment of not in excess of \$20 million of Federal funds to be appropriated to the District to cover (1) all costs and expenses arising out of contracts made pursuant to the Act and implementation thereof, which would be obligations of the District of Columbia Government; (2) any assistance



furnished by the Comptroller General in connection with his review of plans called for by this Act; (3) cost of the balance sheet audit of September 30, 1977, and the audits of the financial position and results of operations for fiscal years commencing October 1, 1977 and October 1, 1978.

The Conference substitute (Section 5) provides that all costs and expenses from contracts made pursuant to this Act, and in connection with the implementation thereof, shall be paid from the funds provided by the Act, namely, by authorization for the appropriation of a total of \$16 million, of which \$8 million should be from the Treasury (as the Federal share) and \$8 million from Treasury funds credited to the District of Columbia (as the District's share); and further, that the Treasury funds to the credit of the District may not be used for more than 50 percent of the total payment under any contract or reimbursement to the General Accounting Office.

#### TERMINATION OF CONTRACT

The Senate amendment provided that thirty days after notification by the Comptroller General of completion and implementation of all plans or 30 days after the final payments are made to contractors, whichever occurs last, the Joint Committee would cease to exist.

The House bill contained no such provision.

The Conference substitute (Section 7) conforms to the Senate amendment with respect to the termination of the Commission.

CHARLES C. DIGGS,  
WALTER E. FAUNTROY,  
THOMAS M. REES,  
ROMAN L. MAZZOLI,  
JAMES R. MANN,  
HERBERT E. HARRIS,  
DAN DANIEL,  
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CHARLES W. WHALEN, Jr.,  
S. B. MCKINNEY,  
*Managers on the Part of the House.*  
THOMAS F. EAGLETON,  
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ADLAI E. STEVENSON,  
JOHN GLENN,  
CHARLES MCC. MATHIAS, Jr.,  
DEWEY F. BARTLETT,  
JAKE GARN,  
*Managers on the Part of the Senate.*



(From the Congressional Record, Aug. 23, 1976)

CONFERENCE REPORT ON H.R. 11009, FINANCIAL PLANNING, REPORTING, AND CONTROL SYSTEMS FOR DISTRICT OF COLUMBIA GOVERNMENT

Mr. DIGGS. Mr. Speaker, I call up the conference report on the bill (H.R. 11009) to provide for an independent audit of the financial condition of the government of the District of Columbia, and ask unanimous consent that the statement of the managers be read in lieu of the report.

The clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The clerk read the statement.

(For conference report and statement, see proceedings of the House of August 3, 1976.)

Mr. DIGGS (during the reading). Mr. Speaker, in view of the fact that the conference report has been printed and is available to the Members and also was printed in the Congressional Record of August 3, 1976, and since it goes on to summarize the main provisions of the report, I ask unanimous consent that the statement be considered as read.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The SPEAKER. The gentleman from Michigan (Mr. Diggs) is recognized for 30 minutes.

[Mr. Diggs addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. WHALEN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of the conference report of H.R. 11009. This bill provides for the establishment of a Temporary Commission on Financial Oversight for the District of Columbia. It seems to me that there can be no question of the urgent need for the complete and thoroughgoing study and overhaul of the District's financial management system which this legislation would provide. Questions have been raised with respect to the District's budget and finances, and it has been pointed out that there has never been an independent audit of the books and records of the D.C. government. Considering the problems that have already come to the attention of the public since the advent of home rule, it would seem that the testimony of the U.S. Comptroller General in our hearings last December is especially pertinent, and I quote:

The effort required to make a financial audit is obviously affected a great deal by the condition of the accounting records and the adequacy of the internal control procedures. When records and procedures are not properly designed and maintained, the extent of the testing and verification work is greatly increased. This causes the audit to become much more time consuming and therefore more expensive. The task of reconstructing the accounts may be impossible, or so major, as to preclude the rendering of an opinion at the conclusion of the audit. . .

And with what may be an understatement, he goes on to observe that :

Unfortunately, the District's system suffers from these ills. We have found the weaknesses in internal control and the inadequacies in record keeping to be widespread and severe.

Mr. Speaker, anyone familiar with the record of this extensive proceeding will appreciate the work and expertise which has gone into this legislation. I believe that what has emerged is an excellent plan for the required analysis and study of the District's financial system. It will also provide the means for the development and implementation of the revision or complete revamping, if necessary, of the city's financial planning, reporting and control systems. It should be put into effect without a moment's unnecessary delay, starting with the passage of this legislation.

Mr. Speaker, the administration has stated that it has no opposition to this legislation. In view of the evident and urgent need and the comparatively insignificant cost to the Federal Government, I strongly urge a favorable vote on H.R. 11009 at this time.

Mr. Diggs. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

[From the Congressional Record, August 24, 1976]

#### DISTRICT OF COLUMBIA AUDIT—CONFERENCE REPORT

Mr. EAGLETON. Mr. President, I submit a report of the committee of conference on H.R. 11009 and ask for its immediate consideration.

The PRESIDING OFFICER (Mr. Gary Hart). The report will be stated by title.

The assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11009) to provide for an independent audit of the financial condition of the government of the District of Columbia, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by all of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the Record of August 3, 1976, beginning at page H8198.)

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The conference report was agreed to.





[From the Congressional Record, Aug. 24, 1976]

CONFERENCE REPORT ON H.R. 11009, FINANCIAL PLANNING, REPORTING, AND CONTROL SYSTEMS FOR DISTRICT OF COLUMBIA GOVERNMENT

Mr. DIGGS. Mr. Speaker, the conference report protects the House provisions on the great question of the audit of the District of Columbia's financial situation. This conference report and legislation would establish an eight-member temporary Commission on the Financial Oversight of the District of Columbia consisting of the mayor, the city council chairman, and three members from each of the two Federal legislative bodies. The commissioners would elect their own chairman and vice chairman, the commission would have authority to let contracts for design and development and implementation of financial planning and reporting, and the legislation would also permit the commission to have authority over the control systems for the District of Columbia.

Mr. Speaker, the conferees adopted a modified provision authorizing the commission to negotiate the scope of the contract, the schedule for completion of this task, and also giving them authority for establishing a fixed price. The contractors would also be required to establish an ongoing training program for effective D.C. government personnel.

Mr. Speaker, the conferees adopted also modified provisions which would give the Controller General 60 days in which to approve or disapprove or modify the financial systems plans submitted by the contractors and then such modifications or disapproval would be submitted to Congress which could reject the Controller's actions by adopting a concurrent resolution within 45 days.

The conference agreement, Mr. Speaker, provides that the D.C. Mayor, assisted by the contractor, would implement each part of a financial plan and that the contractor shall have access to all of the D.C. books and records and that the Controller General shall have access to all documents produced under the contract.

So this is a blending, Mr. Speaker, of provisions from both bodies. The conference committee agreed to authorize the commission to contract for a balance sheet audit as of September 30, 1977 or other date recommended by the Controller General. It also authorizes an annual audit for fiscal year 1978 and 1979, and then after that time the Mayor with the advice and consent of the city council is to select an auditor to make annual audits for the 4 years beginning with the fiscal year 1980. In other words once all of this is done, they will have and be directed to have annual audits at the local level. If the mayor and council are unable to agree for whatever reason, the selection of the auditor would be made by the Chairmen of the House and Senate Appropriations Committee.

The conference agreement would authorize \$8 million in Federal funds and \$8 million in District funds. In other words, it is a 50-50 arrangement to pay for the contracts, to pay for the three audits, to pay for the cost of the Controller General and the commission. In this way whatever responsibility the Congress had prior to home rule, either directly or indirectly, for certain conditions that brought about the financial entanglements, the responsibility would be reflected there, and also with the District sharing on a 50-50 basis they of course would assume responsibility for the development of this arrangement and for the ongoing audits that will be necessary in order to try to restore some sort of fiscal sensibility to what has been widely characterized as a real systems problem here in the District of Columbia.



Public Law 94-399  
94th Congress, H. R. 11009  
September 4, 1976

## An Act

To provide for an independent audit of the financial condition of the government of the District of Columbia.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.* That there is hereby established the Temporary Commission on Financial Oversight of the District of Columbia (hereinafter referred to as the "commission").

(b) The commission shall consist of eight members as follows:

(1) three Members of the Senate appointed by the President of the Senate (or any designee of any such Member so appointed, which designee shall act for such Member in his stead);

(2) three Members of the House of Representatives appointed by the Speaker of the House of Representatives (or any designee of any such Member so appointed, which designee shall act for such Member in his stead);

(3) the Mayor of the District of Columbia (or any designee of the Mayor, which designee shall act for the Mayor in his stead); and

(4) the Chairman of the Council of the District of Columbia (or any designee of the Chairman, which designee shall act for the Chairman in his stead).

(c) Five members of the commission shall constitute a quorum.

(d) (1) A chairman and vice chairman of the commission shall be selected by a majority vote of the full commission from among the members thereof. The vice chairman shall act in the place and stead of the chairman in the absence of the chairman.

(2) The commission is authorized to establish such operating procedures as it determines necessary to enable it to carry out its functions under this Act.

(e) The first meeting of the commission shall be called by the majority leader of the Senate and the Speaker of the House of Representatives, jointly.

(f) The commission is authorized to utilize the personnel of the government of the District of Columbia, with the approval of the Mayor, or the Chairman of the Council of the District of Columbia, as the case may be, and the Committee on the District of Columbia of the Senate, the Committee on the District of Columbia of the House of Representatives, the Committee on Appropriations of the Senate, or the Committee on Appropriations of the House of Representatives, with the approval of the chairman of such committee. The commission is authorized to utilize, on a reimbursable basis, the services and personnel of the General Accounting Office to assist the commission in carrying out its functions under this Act.

Sec. 2. (a) For the purpose of meeting the responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, it shall be the function of the commission, after consultation with the Comptroller General, to select such qualified persons as the commission may determine necessary for the development of certain plans on behalf of the government of the District of Columbia (including assistance in the implementation thereof) for the purpose

D. C.  
Government  
financial  
condition,  
audit.  
D. C. Code 47-  
101 note.  
Temporary  
Commission on  
Financial  
Oversight of the  
District of  
Columbia.  
Establishment.  
Members.

Quorum.

Personnel,  
utilization.

GAO services  
and personnel,  
utilization.

Functions.  
D. C. Code, 47-  
101 note.  
USC prec.  
title 1.

of improving the financial planning, reporting, and control systems of such government. Plans to be considered for development and implementation pursuant to this Act shall include, among others, plans for the following: immediate improvement in financial control and reporting; assessing the scope of further necessary improvements; financial management system improvements; personnel-payroll system improvements; water-sewage billing and information system improvements; purchasing and material management system improvements; property accounting system improvements; real property system improvements; welfare payments system improvements; human resources eligibility, payment, and reporting system improvements; health care financial system improvements; and traffic ticket system control improvements.

System im-  
provements  
plan, contracts.

(b) Each contract entered into with a person pursuant to subsection (c) of this section for the development of a system improvements plan shall contain a provision requiring that person to include within such plan procedures for the establishment of an ongoing training program for operating personnel of the government of the District of Columbia whose duties involve matters covered by such plan or part thereof in order to provide training for such personnel in connection with the operation of such system. Each such contract shall further contain provisions comparable to those provided by Standard Form 32, section 1-16.901-32 of title 41, Code of Federal Regulations.

(c) Upon the selection by the commission of each qualified person to develop and implement a plan pursuant to this section, the chairman of the commission shall enter into a negotiated fixed price contract or contracts with that person for the development and implementation of such plan.

(d) (1) Each such contract so entered into shall set forth the scope of the work to be performed, amounts to be paid thereunder, and a schedule of reporting and completion dates, including a schedule of implementation dates, for each portion of such work. Each contractor shall have full access to such books, individuals, accounts, financial records, reports, files, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete such contract. The Comptroller General shall have full access to all documents produced under each contract.

Reports to  
commission and  
Comptroller  
General.

(2) After establishment of the schedule for completing each such contract and until the completion of such contract, each contractor shall report, at such time as such contract shall provide, to the commission and the Comptroller General on the progress toward completion of such contract, except that each such contractor shall report at least once during the one-hundred-and-eighty-day period after establishment of such schedule for completion of such contract.

System design  
plan.

(e) (1) With respect to any such contract or part thereof involving the design (including a preliminary design) of a system referred to in subsection (a) of this section, the contractor, upon the completion of the plan or part relating to such design (including procedures for its implementation), shall submit such plan or part, together with a schedule for its implementation, to the Comptroller General.

(2) With respect to any such contract involving work other than the design of such a system, the contractor, upon the completion of the plan or part thereof relating to such work, shall submit such plan or part thereof, together with a schedule for implementing such plan or part, to the Comptroller General.



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(3) Notwithstanding the foregoing provisions of paragraphs (1) and (2) of this subsection, in no case shall any contractor under this Act submit a plan, part, or schedule to the Comptroller General unless such plan, part, or schedule has first been submitted by that contractor to the contractor responsible for the development and implementation of a financial management system improvements plan for such contractor's review, comments, and recommendations. A copy of such comments and recommendations, if any, shall be submitted, together with such plan, part, or schedule, to the Comptroller General in accordance with paragraphs (1) and (2) of this subsection.

(4) Within the sixty-day period following the date of the receipt by him of such plan or part thereof, and after consultation with the commission, the Comptroller General shall approve, disapprove, or modify such plan or part (including any schedule for the implementation thereof), in whole or in part. On or before the expiration of such sixty-day period, the Comptroller General shall submit such plan or part, as so approved, modified, or disapproved to the Congress for its consideration, together with his reasons for such modification or disapproval.

Approval.

Plan, sub-  
mittal to  
Congress.

(f) (1) Each such plan or part thereof so approved by the Comptroller General without modification shall be deemed on the date of such approval, to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia. Each such plan or part thereof modified by the Comptroller General shall, upon the expiration of the forty-five-day period of continuous session of the Congress following the date on which such modified plan or part thereof is so submitted to the Congress, be deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia, unless within such forty-five-day period, the Congress adopts a concurrent resolution disapproving the action of the Comptroller General with respect to such modifications. In any case in which any such concurrent resolution is so adopted by the Congress, such plan or part thereof, as it existed immediately prior to any such modification, shall be deemed a part of such procedures as of the date of the adoption by Congress of such concurrent resolution. No such plan or part thereof disapproved by the Comptroller General shall take effect, unless, within such forty-five-day period following the date of its submission to the Congress, the Congress adopts a concurrent resolution disapproving the action of the Comptroller General in disapproving such plan or part thereof. If such action of the Comptroller General is so disapproved, such plan or part thereof shall be deemed a part of such procedures as of the date of the adoption by Congress of such concurrent resolution.

(2) For purposes of this section, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in computation of such forty-five-day period.

(g) With respect to any such plan or part so deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia under subsection (f) (1), the Mayor of the District of Columbia, with the assistance of the contractor responsible for such plan or part, shall implement such plan or part for the government of the District of Columbia in accordance therewith. The Comptroller General shall

Plan imple-  
mentation.

monitor such implementation and report as he deems appropriate to the commission.

Balance sheet  
audit.  
D. C. Code.  
47-101 note.  
USC prec.  
title 1.

SEC. 3. (a) (1) For the purpose of meeting the oversight responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, the Congress hereby authorizes the commission, in accordance with the provisions of paragraph (2) of this subsection, to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, a balance sheet audit of the financial position of the District of Columbia as of September 30, 1977. Such audit may—

(A) include an identification of assets, liabilities, accumulated surplus or deficit; and

(B) exclude statements of revenues and expenses, changes in fund balances, statements of changes in financial position for enterprise funds, and property and equipment.

Notification.

(2) The balance sheet audit authorized by paragraph (1) of this subsection shall cover the financial position of the District of Columbia as of September 30, 1977, unless the commission, on or before August 1, 1977, is notified by the Comptroller General to the effect that such an audit as of that date is not practicable, in which case the commission is authorized to cause to be undertaken a balance sheet audit of the financial position of the District of Columbia as of such date as the Comptroller General shall recommend to the commission.

(b) The commission is further authorized to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, an audit or audits of the financial position and results of operations of the District of Columbia for each fiscal year or years next following September 30, 1977, or the date recommended by the Comptroller General for the conduct of a balance sheet audit pursuant to subsection (a) of this section, whichever last occurs, and which precede the fiscal year commencing October 1, 1979.

(c) Upon the selection by the commission of each qualified person to conduct an audit pursuant to this section, the chairman of the commission shall enter into a negotiated fixed price contract with that person for that purpose. Each such audit shall be carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles. The results of each such audit shall be submitted to the Congress, the President of the United States, the Council of the District of Columbia, the Mayor of the District of Columbia, and the Comptroller General.

(d) Such contractor shall have full access to such books, individuals, accounts, financial records, reports, files, tax returns, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete each such audit required by such contract.

SEC. 4. (a) For the fiscal year beginning October 1, 1979, and each fiscal year thereafter, the government of the District of Columbia shall conduct, out of funds of the government of the District of Columbia, an audit of the financial operations of such government. Each such audit shall be conducted by a certified public accountant licensed in the District of Columbia and carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles.

Audit results,  
submittal to  
Congress,  
President,  
Council of  
the District of  
Columbia,  
Mayor, and  
Comptroller-  
General.

Fiscal year  
audit.  
D. C. Code  
47-120-2.

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(b) For the purpose of conducting an audit for each such fiscal year as required by subsection (a) of this section, the Mayor of the District of Columbia shall, on or after January 2, 1979, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1, 1979, and the next following three fiscal years. Thereafter, each individual elected as Mayor in a general election held for Mayor of the District of Columbia shall, on or after January 2 next following his or her election to, and the assuming of, the Office of Mayor, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1 of the calendar year in which such Mayor takes office, and the next following three fiscal years. The person previously selected for a four-year period shall not succeed himself or herself. If the Council fails to act on any such selection within a thirty-day period following the date on which it receives from the Mayor the name of such person so selected, the Mayor shall be authorized to enter into a contract with that person for the conduct of such audits. If any person so selected by the Mayor to conduct any such audits for such fiscal years is rejected by the Council, the Mayor shall submit to the Council the name of another qualified person selected by the Mayor to conduct such audits. In the event that the Council rejects the second person so selected by the Mayor, the Mayor shall, within thirty days following that rejection, notify the chairman of the Committee on Appropriations of the Senate and the chairman of the Committee on Appropriations of the House of Representatives, in writing, of that fact. Within fifteen days following the receipt of that notice, such chairmen shall jointly select a person to conduct such audits and shall inform the Mayor, in writing, of the name of the person so selected. Within ten days following the receipt by the Mayor of such name, the Mayor shall enter into a contract with such person pursuant to which that person shall conduct such audits for such fiscal years as herein provided.

Fiscal year  
audits.

Notice to  
congressional  
committees.

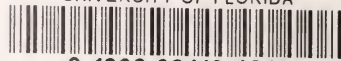
(c) The Mayor shall submit a copy of the audit report with respect to each such audit so conducted to the Congress, the President of the United States, the Council of the District of Columbia, and the Comptroller General.

Report, sub-  
mittal to  
Congress,  
President,  
Council of  
the District  
of Columbia,  
and Comp-  
troller General.  
Appropriation  
authorization.  
D.C. Code 47-  
101 note.

SEC. 5. (a) For the purpose of making payments under contracts entered into under sections 2 and 3 of this Act, for reimbursing the Comptroller General under subsection (f) of the first section of this Act, and for meeting other expenses incurred by the commission under this Act, there is authorized to be appropriated to the commission the sum of \$16,000,000, of which \$8,000,000 shall be from funds in the Treasury not otherwise appropriated, and \$8,000,000 shall be from funds in the Treasury to the credit of the District of Columbia. Sums appropriated pursuant to this section are authorized to remain available until expended.

(b) No funds appropriated pursuant to subsection (a) of this section out of funds in the Treasury to the credit of the District of Columbia may be used for any payment under any contract entered into pursuant to section 2 or 3 of this Act, for any payment as reimbursement to the General Accounting Office, or for expenses of the commission, in an amount greater than 50 per centum of the total amount of any such payment.

(c) The chairman of the commission may enter into contracts under sections 2 and 3 of this Act only to the extent and in such amounts as are provided in appropriation Acts.



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September 4, 1976

Definitions.  
D. C. Code  
47-101 note.

SEC. 6. As used in this Act, the term—

(1) "person" means any individual, partnership, firm, corporation, or other entity; and

(2) "government of the District of Columbia" includes the Mayor of the District of Columbia, the Council of the District of Columbia, the courts of the District of Columbia, and all agencies (as defined in paragraph (3) of section 3 of the District of Columbia Administrative Procedure Act (D.C. Code, sec. 1-1502(3))).

Termination.  
D. C. Code  
47-101 note.

SEC. 7. Thirty days after notification by the Comptroller General to the commission of the completion and implementation of all plans and designs under this Act, or thirty days after final payment of all contracts entered into pursuant to sections 2 and 3 of this Act, whichever last occurs, the commission shall cease to exist.

Approved September 4, 1976.

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LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 94-1094 (Comm. on the District of Columbia) and No. 94-1381 (Comm. of Conference).

SENATE REPORT No. 94-1015 (Comm. on the District of Columbia).

CONGRESSIONAL RECORD, Vol. 122 (1976):

May 24, considered and passed House.

July 1, considered and passed Senate, amended.

Aug. 23, House agreed to conference report.

Aug. 24, Senate agreed to conference report.

